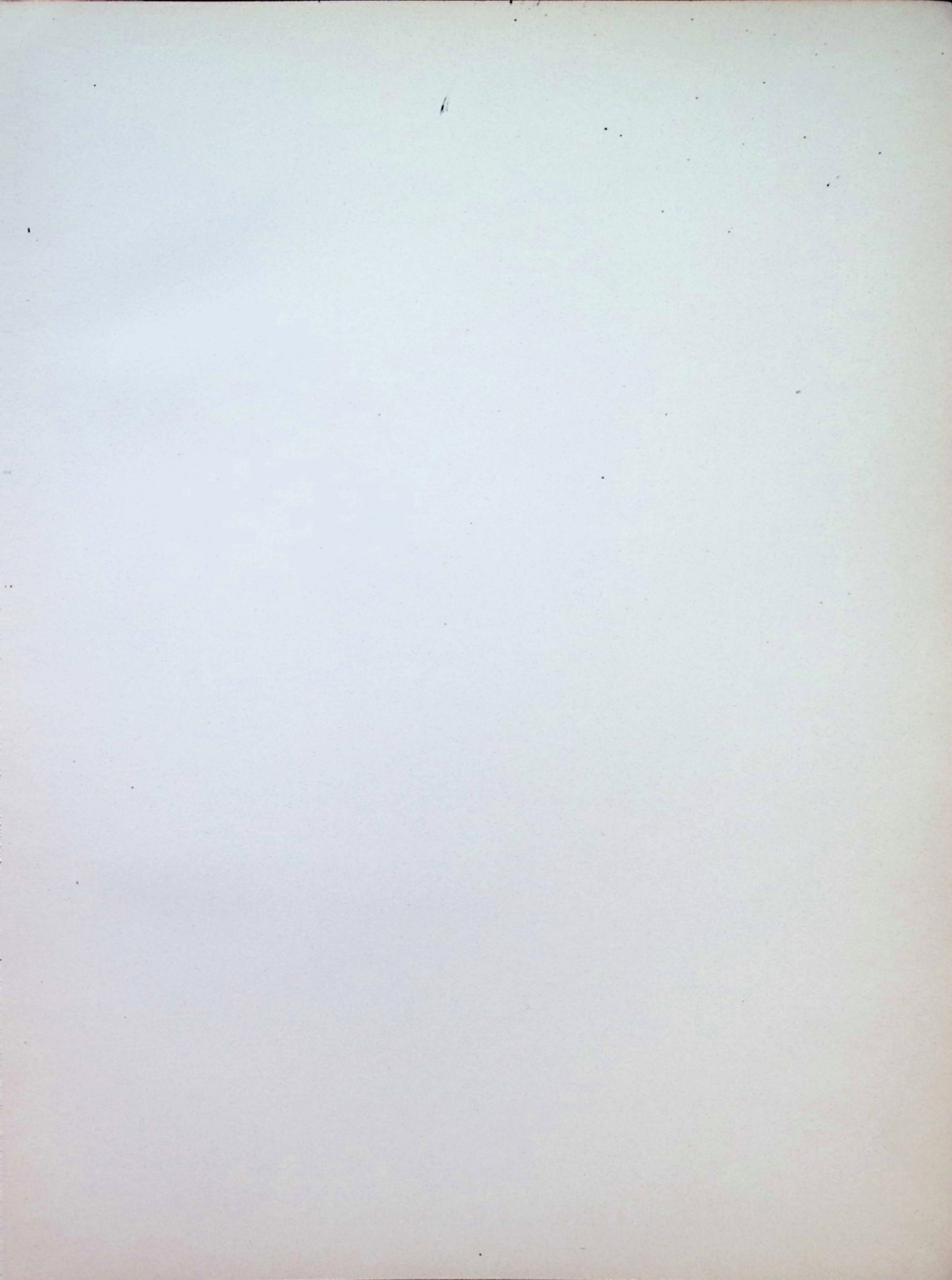


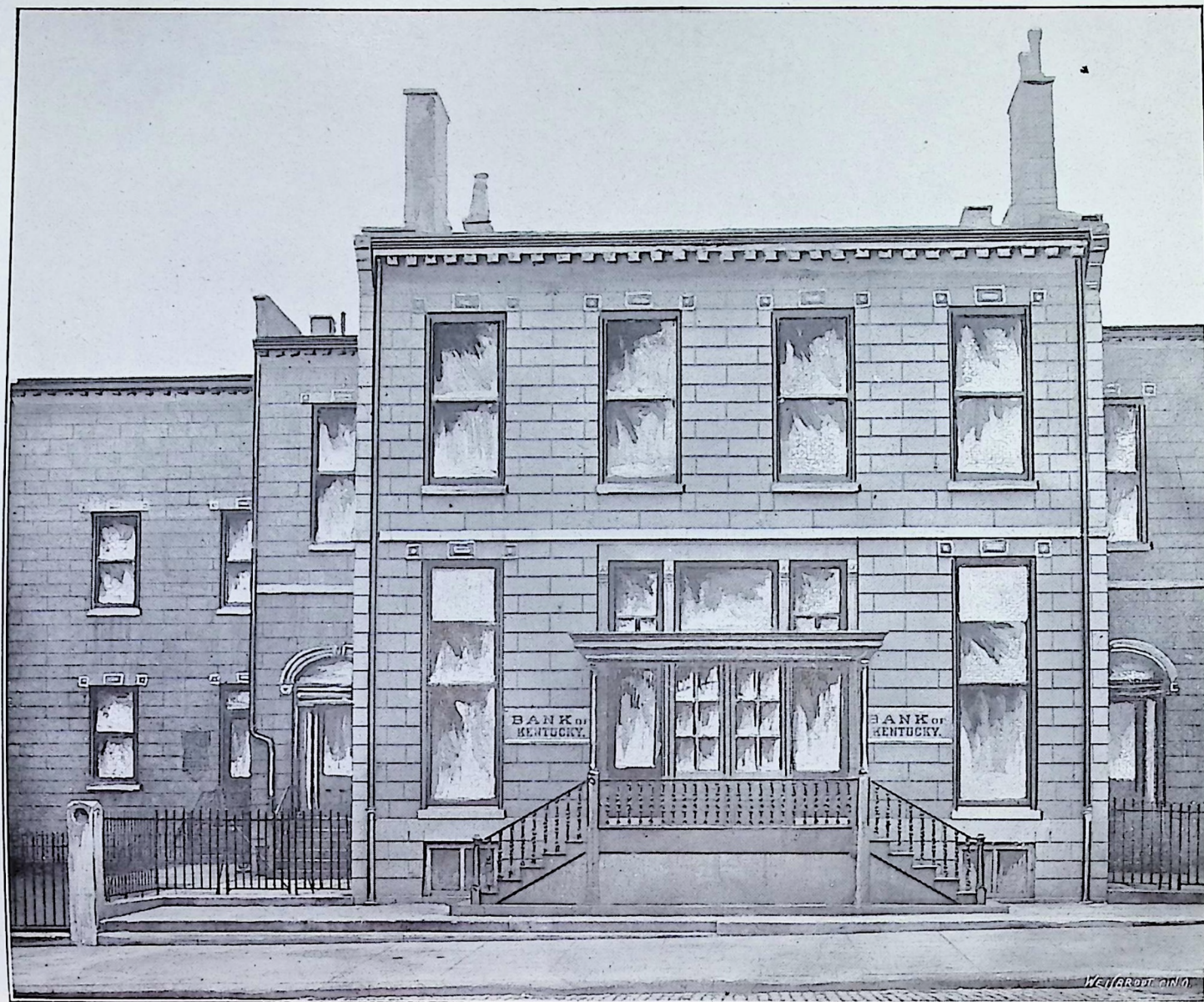
Bank of Kentucky

1792-1895



Edward H. H. H. H.





Edward McKim

HISTORY
OF
THE BANK OF KENTUCKY

1792-1895

*INCLUDING AN INTERESTING ACCOUNT OF EARLY BANKING, COM-
PILED FROM OFFICIAL RECORDS AND OTHER SOURCES
AT THE REQUEST OF THE DIRECTORS.*

BY GEN. BASIL W. DUKE

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OF
THE BANK OF KENTUCKY.

1895.

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D. W. GRAY, ASSISTANT CASHIER.
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THOS. L. BARRET,	W. W. HITE.

PREFACE.

WHILE the History of the Bank of Kentucky is of more interest to those who for personal reasons (because they have been connected with its management or concerned in its prosperity) desire that some memorial of its existence and conduct shall be preserved, it may prove interesting also to the general reader. A faithful transcript of its records furnishes a recital of events that are of importance in the annals of Kentucky (that are indeed of even wider relation) and not without value, therefore, to the student who seeks to understand the financial conditions and methods which preceded, and out of which were evolved the more perfect system of modern banking.

The attempt is made in these pages to show how, in response to imperative commercial demands and under many adverse circumstances, the Bank of Kentucky was established, and how, during nearly two thirds of a century, in which many vicissitudes were encountered, with unflagging energy and courage it has served the purposes for which it was created.

It was founded at a time which will always be memorable in the history of this Commonwealth: just when the evil consequences of unsound financial policies and

injudicious legislative interference had been illustrated by almost universal bankruptcy. Out of this bitter experience were born wisdom and prudence; nevertheless, years passed before prosperity returned and general solvency was re-established, during which period the Bank was engaged in an arduous and constant struggle with conditions threatening not only its successful operation but its existence.

The writer has undertaken to present herein, in a very general way, the more prominent features and salient facts in the life of this institution; essaying to describe accurately, if not fully, the course it has pursued in its extensive business and public relations from its establishment to a quite recent date, its connection with the financial history of the State, and the principles by which its conduct has been guided.

The material for this narrative has been found chiefly in the Minutes of the Bank, kept since the date of its organization, and exhibiting every thing of essential importance in such a history; but no source of information, from which *data* at once credible and illustrative might be obtained, has been neglected.

A complete list of the officers of the bank, arranged in chronological order, will be found in the Appendix, together with such documents as may be necessary to supplement the text but which could not be conveniently incorporated in it.

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HISTORY

OF

THE BANK OF KENTUCKY.

CHAPTER I.

1792-1834.

THE history of banking in Kentucky much resembles, in its general features, such history in all of the earlier commonwealths. Growing out of similar conditions the development of this agency so useful and indeed essential to the prompt and proper conduct of all other forms of business pursued very much the same direction here as in the original States of the Union.

The peculiar monetary conditions which everywhere on this continent preceded the actual inauguration of the banking period were, however, more strongly emphasized in Kentucky, perhaps, than in any other community. This was largely due to the rapid influx of population, but also to the fact that immediately after the real pioneers came a band of shrewd, daring traders and speculators, who sought and employed in their "operations" every coin or symbol which could be utilized as a medium of exchange.

It is of little consequence in this sketch to note curiously the dates of the first visits of white explorers or hunters to Kentucky, or even exactly fix the date of actual settlement. The permanent occupation of her territory began, according to some authorities, in June, 1774, according to others, in April, 1775. But, as has been said, settlers and traders flocked in with marvelous rapidity.

With this extraordinary increase in population—a growth which, when the circumstances of that period and the difficulties attending immigration are considered, may be regarded as unparalleled in the annals of American civilization—it is not surprising that a people so enterprising should have entertained an irresistible desire to create and extend a commerce with the rest of the world and develop to its utmost capacity the magnificent region they had won from nature and the savage.

Previously to 1792, when the State began its political existence, the question of commercial opportunities had divided with that of provision for defense against the marauding excursions of the Indian tribes dwelling north of the Ohio the attention of her people; and for twelve years longer it was the important and almost absorbing one. In 1800 Kentucky had a population, according to the United States census, of 220,995. In 1810 the population had increased to 406,511, and in 1820, before the first

white child born on her soil can be said to have reached middle age, she counted 516,317 souls within her borders.

This bold and restless population could not be content to merely till the soil and live in a condition of semi-barbarism. They demanded the commerce and ardently aspired to build up the industries which make civilization possible and permanent. They looked in all directions for trade and the means and routes by which traffic might be conducted. But the only direction, from 1790 (when, it may be said, they were first in condition to seek it) until perhaps 1810, in which the people of Kentucky could hope to find a satisfactory outlet and market for any thing of value they produced, was down the Mississippi; and the mouth of that river was for years closed to them by the jealous, greedy, and bigoted Spaniard, and also, it must be said in absolute candor, by the indifference or timidity of the General Government.

By the treaty with Spain of 1799 the right to navigate the Mississippi and deposit at New Orleans was guaranteed the citizens of the United States; but in 1802 the Spaniards violated it. In response to the now bitter discontent of the Kentuckians, and the general and determined popular sentiment regarding the free navigation of the river everywhere, Mr. Jefferson resolved to purchase Louisiana, and so end the trouble; and, having to deal with a prince so sagacious as Napoleon, the negotia-

tions for the purchase—advantageous to both parties—were readily concluded.

Immediately upon this acquisition of Louisiana in 1803 a very considerable trade sprang up between Kentucky and New Orleans, increasing and extending to other points upon the Mississippi as the country along its banks became settled, and gradually pushing into the interior and up the tributaries of the great stream. It was conducted by means of flat and keel-boats. Laden with peltries, pork, flour, corn, tobacco, apples, and potatoes these boats would descend the Ohio and enter the Mississippi, generally stopping to trade wherever custom was offered, but often, when the cargo was entirely of tobacco or flour, making no stop short of New Orleans. Reaching that city, the flats would be sold, while the keel-boats, laden with return cargoes, would, with vast expenditure of time and labor, be poled and cordelled back again up stream to the Falls of the Ohio.

When, in 1811, the era of steam upon the western waters was inaugurated a still greater impulse was given commerce; and in the period between 1812 and 1819 more than forty steamboats were plying between Louisville, New Orleans, and intermediate points.

Trade with the East was of course far more difficult. Nevertheless, when the continuous flow of immigration had more completely settled the territory through which

the pioneers passed on their way to Kentucky, their descendants began to use the same routes for the purposes of traffic. They retraced the steps of their sires to "swap" and barter with their kinsmen in Virginia and East Tennessee, and by means of the flat-boat traded with those who dwelt on the Upper Ohio. Still later the Kentucky drovers pressed over the old "Wilderness Road" and through the Saluda Gap into the Carolinas.

It was much easier of course to float down than to work up the broad stream of the Ohio, yet, as early as 1793, a line of Ohio River packet boats (flat and keel) was established between Cincinnati and Pittsburgh, with offices for the insurance of goods at the termini and at Limestone, afterwards Maysville. There is still extant an advertisement of this line in a copy of the Kentucky Gazette of September 10, 1793. The freights brought down the river from Pittsburgh and Wheeling were generally landed at Maysville, and distributed thence to Eastern and Central Kentucky, hauled in large canvas-covered vehicles known as "road wagons," which pursued their tedious way in long caravans, and were driven by a class of men almost as eccentric and as savage as the keel-boatmen of the river.

The people of this nascent Commonwealth, having secured markets and the avenues by which they might be reached, and provided methods of transportation, rude,

indeed, but the best that the period and their condition made possible, began now to feel the need of the next most important agency of commerce, without which its development must ever be imperfect. They began to cast about for some system of banking.

At and for many years after the date of settlement there prevailed in Kentucky what has been well termed a monetary "chaos." Previously to 1792 English money (pounds, shillings, and pence) was current in Kentucky because she was a part of Virginia, and Virginia was still using the money of Great Britain. But other money and media of exchange, very quaint and curious, were in use.

Colonel R. T. Durrett, in his interesting account of "Early Banking in Kentucky," says:

"When the United States began to coin money, the eagles and dollars, with their divisional parts, found their way into Kentucky, as they did into other States. But in addition to British and United States coins there was scarcely a civilized country on the globe with a mint whose coins did not circulate in Kentucky. The doubloons and piasters of Spain, the louis and ecus of France, the ducatoons and the rix dollars of Holland, the goulds and the ducats of Austria, the frederics and florins of Prussia, the crusadores and moidores of Portugal, the lires and pistoles of Italy, the sequins and tomonds of Arabia, and the maces and rupees of India were circulated in Kentucky, and their value ascertained, in cases of doubt, by weighing them in balances.)

"As far back as 1714 the Virginia Legislature had begun fixing the value of these coins at so many pence and farthings

to the pennyweight, and thus encouraged their coming into this country. In the midst of this chaos of coin there was one that was known to everybody and served as the unit and standard of value. This was the Spanish dollar known as a piaster or piece of eight."

Nor was Kentucky, in addition to this multitude of coins, altogether without paper money, even at this early period. Virginia issued during the Revolutionary struggle nearly one hundred millions of paper money, and no inconsiderable amount of it found its way into Kentucky. This issue, of course, became enormously depreciated in value, and in 1781, just before Virginia declared it no longer a legal tender, it was rated at one thousand for one Spanish dollar. Paper money issued by the other colonies, and a portion of the \$300,000,000 issued at various dates by the Continental Congress, also reached Kentucky, and all of this likewise became immensely depreciated.

It is not surprising, therefore, that paper money and banks, with which its issue was associated, were neither very popular with the first settlers of this State. "But," says Colonel Durrett, "the coins and paper money mentioned were not the only money in Kentucky before modern banks were known. Tobacco was a medium of exchange which had come down from the earliest times of Virginia, and which everybody understood. All sorts of commodities were bought and sold for tobacco, and

the pioneers knew how to value a thing in tobacco just as we do to-day in dollars. It was not an unusual sight to see a farmer riding to town on a horse attached to shafts, which were connected with the two ends of an axle extending through a hogshead of tobacco that rolled behind him on the ground as he rode along. When he reached the store he sold his tobacco and took the proceeds in whatever the merchant had that he wanted. If the sale was not thus made, the tobacco was deposited in a warehouse and the receipt of the inspector, showing the number of pounds, the quality, and the condition, taken therefor. This receipt was assignable, and it passed from one to another, sometimes until it paid the debts of a number of persons. These tobacco receipts were a popular and reliable kind of paper money."

Land warrants formed another kind of paper money that was both popular and reliable. A purchaser deposited his money with the State Treasurer, and got therefor a warrant for a given number of acres to be located on any of the vacant lands of the State. A soldier who had rendered military service, or an adventurer who had made an improvement in the new country, got a similar certificate for a given number of acres. Those warrants or certificates were assignable by indorsement and delivery, and formed a large volume of the currency of the country.

The skins of wild animals were also used extensively in lieu of money. Among these the skin of the beaver, because of the superior quality of its fur and the readiness with which it could be sold in foreign markets for good prices, circulated as the unit and measure of value. One beaver skin was reckoned as equaling so many deer, fox, raccoon, or muskrat skins in value. Merchants kept their accounts with hunters in beaver skins, and receipts for such peltries passed from hand to hand, although not so freely and generally as did the tobacco receipts.

After 1791 notes of the Bank of the United States were occasionally seen in Kentucky. Colonel Durrett says: "They were a kind of aristocrats among the peasant bills. They were handled with care and admired for the fine pictures upon them. If an old farmer got hold of one of them he showed it to his wife and children and enjoyed their wonder and admiration. It was laid away between the leaves of the family Bible, and kept smooth and nice until a pressure, not to be borne, extorted it for debt, or it went for something that had to be bought."

Such a condition in a rapidly-growing and aggressive community of itself made imperative the speedy establishment of some sort of banking system (a regular and acknowledged system of banking had become absolutely necessary), if for no other reason than to reduce this monetary confusion to some sort of order.

Accordingly we find that the first attempt to inaugurate banking in Kentucky under legislative sanction was made as early as 1802; although the enterprise out of which it resulted was intended ostensibly or more especially for another character of business. In that year a number of gentlemen in Lexington, Ky., conceived the idea of associating themselves into a company for the insurance of cargoes transported on the Mississippi River against ordinary accidents and losses. They applied to the legislature for an act of incorporation, and obtained a charter, approved December 6, 1802, for the Kentucky Insurance Company. By the terms of the act the charter was to remain in effect until January 1, 1818, and during that period no other similar company was to be incorporated under the laws of Kentucky. It was authorized to acquire and hold corporate property to the value of \$150,000, and to issue stock to the amount of \$100,000. The company was also authorized to take and give bonds, bills, and notes in the course of its business, and receive and pass them by assignment.

In the twentieth section of the charter appeared the following words, which, it will be readily understood, turned out to be of more importance than all else the act contained, viz:

"And such of the notes as are payable to bearer shall be negotiable and assignable by delivery only."

Humphrey Marshall says of this provision of the charter in his History of Kentucky:

"It was only to make all *payable to bearer* and *all might pass by delivery*. And when vested with these properties they were so much like bank bills that it required much less genius for trade and negotiation than Lexington possessed to convert the 'Kentucky Insurance Company' into a bank corporation, and thus supersede the objects of its institution, which was done, and thus Kentucky came by her first bank."

It has been broadly charged that very few of those who voted to grant this charter were informed of the import and effect of this language and knew that it conferred such powers. Marshall hints at rather sharp practice, and seems to believe that, had the legislature been fully advised of what it was asked to do, it would have refused the privileges which were thus unwittingly accorded. He says:

"There was, by some unaccountable means or other, a thing neither seen nor suspected by the majority, a *Bank of Circulation* infused into its composition. And, although the operator was afterwards accused of practicing a deception upon his coadjutors, the dexterity and effect with which it was done insured to him the full approbation of his employers and constituents."

Such charges have frequently been made in the history of legislation, not only in Kentucky but elsewhere, and have sometimes been true. Nevertheless, there is

good reason to believe that if this matter had been fully explained and understood the legislative action would have been the same. As has been seen, there was much need of banking in some form in Kentucky at that date, and this company seems to have had staunch friends in need of the most prominent and patriotic men of the period.

Only the year previously the company had obtained an amendment, approved December 9, 1804, authorizing the incorporators to issue notes "to the amount due them, the money in their vaults, the property, real, personal, and mixed they may own, and their capital stock." Inasmuch as the company had already liberally utilized its power to issue notes payable to bearer, the very broad privilege conferred by this amendment hardly seems compatible with the idea that such power had been unconsciously and unintentionally given. A legislative body which had been tricked into granting an alleged questionable privilege could scarcely have been persuaded to grant the same parties another and far more valuable one within the short space of two years, although the second grant might naturally enough excite unfavorable criticism and induce efforts at repeal.

Marshall, in commenting on a proposition which was suggested during the session of 1805, but never formulated, "to incorporate a bank in which the State should take stock," probably furnishes the real reason why the

manner in which the charter of the Kentucky Insurance Company had been obtained was criticised, and why its repeal was proposed. The company had been making money. He says:

"The insurance company, as a bank, had divided eight per cent profit for six months—a fact which drew upon it the horrific denunciation of being a 'monied aristocracy,' and therefore to be put down. . . . What, let it be asked, came of the insurance company? Its charter was mutilated and impaired—its existence was indignantly menaced and rivalled, if not superseded, by the 'Bank of Kentucky.' But the *Bank of Kentucky*, incurring a like anathema, having also declared a handsome dividend, has in time experienced a like fate—being rivalled by forty 'independent banks,' the pure and genuine offspring of democracy. These, however, stripped of cash and bloated with bankruptcy, became offensive to their progenitors, because, probably, they did not furnish them with enough money, and were in their turn crippled or annihilated by *law* to make way for the paper bubble called 'The Bank of the Commonwealth of Kentucky;' *The People's Bank*; God save it!"

When the old historian is in one of his fine fits of indignation, he generally hits impartially at every head he sees, but the fact that the Bank of Kentucky was chartered within so brief a time after the establishment of the insurance company would seem to indicate that, while any very considerable financial success on the part of banking institutions might induce jealousy in some quarters, their necessity was thoroughly realized.

The Bank of Kentucky of which the historian speaks in the passage just quoted was not the present but an earlier institution of that name, and known as the "first" or "old" Bank of Kentucky.

Its establishment was unquestionably suggested by the success of the Kentucky Insurance Company, not only in declaring the large dividend mentioned, but in facilitating the transaction of business and rendering those public services for which banks are created. The charter of the first Bank of Kentucky was approved December 27, 1806. The capital stock was fixed at one million of dollars, of which one half was reserved for the State, which also reserved the right to name the president and six of the twelve directors. It was provided in the act of incorporation that the legislature might at any time increase the number of directors from twelve to twenty-four.

More vicious legislation than this can not well be imagined; its clear, indeed, avowed purpose was, that in the event the policy of the bank under the directory originally selected should at any time be objectionable to the popular or legislative idea of how such institutions ought to be managed, a sufficient number of willing instruments to enforce such popular opinions might be added to the board. The evil effects of this and other provisions of the charter were not long in manifesting themselves.

Colonel Durrett says:

"In this reserved power of the State over the bank were the seeds of its ruin. The bank was made a political instead of a financial institution, and for this reason more than any other failed in the end. At almost every session of the legislature, after the original charter, there were acts concerning the bank, and most of them were hurtful instead of beneficial."

The State had agreed to take the notes of the bank for all public dues, but in 1808 an act was passed authorizing, by the language of the act, the bank to pay auditor's warrants in specie and charge six per cent interest on the amounts so disbursed. Of course this would be done only when the State treasury was empty, but it would seem to have been a bad bargain both for the State and the bank. At any rate, when the bank consented to pay these warrants in specie it must certainly have injuriously discriminated against its own notes, and to an extent for which it was not compensated by the interest received from the State for these accommodations. The legislature provided, with much more wisdom than was shown in the act last quoted, that the auditor might exchange with the bank cut silver received for revenue at a discount of not exceeding three per cent "for small round coins."

When the hard times following the War of 1812 had forced the bank to suspend specie payment, the legislature came to its relief and authorized it to increase its

capital stock to \$3,000,000, and also permitted the county seminaries to sell their educational lands and invest the proceeds in this stock.

"Again, in 1815, the legislature authorized any debtor to replevy his debt for one year if his creditor refused to take pay in the notes of the suspended bank; and thus mixed up with that pernicious system of relief which culminated in the establishment of a new Court of Appeals while the old one was sitting at the capital." (*Durrett: Early Banking in Kentucky.*)

In 1817 the legislature legalized an agreement between the Bank of Kentucky and its thirteen branches, to the effect that neither should be required to take the notes of the others, and the State was thus placed in the singular attitude of using every effort to induce its citizens to take the notes of an institution which could not take them itself.

The appalling financial distress felt all over the world, and consequent upon the long and devastating wars which followed the French Revolution, added much during the period included between 1815 and 1824 to the monetary difficulties prevailing in Kentucky. The population of Europe, which had been virtually engaged in war for eighteen years, returned suddenly to peaceful pursuits, and there was an immediate decline in the prices of all kinds of commodities, and a consequent widespread bankruptcy.

The Kentucky Legislature at its session of 1817-18 did what was perhaps the worst thing it could have done in a crisis of that nature and so dangerous. It chartered forty "independent" banks with an aggregate capital of nearly ten millions of dollars. The Bank of Kentucky had at that date resumed specie payment, and was in good condition and credit. These forty new banks were authorized by law to redeem their issues with the notes of the Bank of Kentucky instead of with specie. They were permitted to issue their notes, payable on demand, over and above the specie in their vaults, to an amount equal to three times the amount of their capital stock less their indebtedness. These banks, termed "independent" by the act which incorporated them, and in popular parlance denominated the "forty thieves," were by their charter provisions to continue until the last day of December, 1837. But long before that day arrived they had all perished in the terrible financial storm whose severity their institution had only served to increase.

See
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"On the 10th of February, 1820, their charters were repealed because they could not pay their demand notes either in specie, or in the notes of the Bank of Kentucky, or in the Bank of the United States, or in any other notes that anybody wanted." (*Durrett: Early Banking in Kentucky.*)

Richard Collins, in his History of Kentucky, thus sums up the disastrous consequences of that ill-advised legisla-

tion which, in addition to creating banks, undertakes to dictate the character and methods of their management. Describing the effect which the inauguration of these forty costly experiments in finance produced, he writes:

"In the summer of 1818 the State was flooded with the paper of these banks. Their managers were generally without experience or knowledge of finance, and, in some instances, destitute of common honesty. The consequences were such as might have been anticipated. Speculation sprung up in all directions. Large loans were rashly made and as rashly expended. Most of these bubbles exploded within a year, and few were alive at the end of two years. In the mean time the pressure of debt became terrible, and the power to replevy judgments was extended by the legislature from three to twelve months by an act passed at the session of 1819-20. During the summer of 1820 the cry for further relief became overwhelming, and vast majorities of both Houses were pledged to some measure which should relieve the debtor from the consequences of his rashness. The reign of political quackery was in its glory. The sufferings of the patient were too acute to permit him to listen to the regular physician who prescribed *time, industry, and economy* as the only honest and just remedy. He turned eagerly to the quacks, who promised him instantaneous relief by infallible nostrums and specifics.

"General Adair had been elected Governor of Kentucky in 1820, and heartily concurred with the legislature in the acts passed at the ensuing session. The great cry of the people was for money, and their heaviest complaint was debt. Therefore the legislature of 1820-21 chartered the bank called the Bank of the Commonwealth, which was relieved from all danger of suspension by not being required to

redeem its notes in specie. Its paper was made payable and receivable in the public debts and taxes, and certain lands owned by the State south of the Tennessee River were pledged for the final redemption of its notes. Its business was to pour out paper in profusion, in order *to make money plenty*. But how was the debt to be relieved? Easily. The creditor was required to receive this bank paper in payment of his debt, and if he refused to do so the debtor was authorized to replevy the debt for the space of two years. But these were not the only acts of this mad session. They had already one bank, the old Bank of Kentucky, then in good credit, its paper redeemable in specie, and its stock at par or nearly so. By the terms of the charter the legislature had the power of electing a number of directors, which gave the control of the board. This power was eagerly exercised during this winter. An experienced, conservative president and board were turned out by the legislature, and a president and board elected who stood before their election to receive the paper of the Bank of the Commonwealth in payment of debts due the Bank of Kentucky. This was no doubt intended to buoy up their darling bank and sustain the credit of its paper. But the effect was instantly to strike down the value of the stock of the Bank of Kentucky to one half its nominal value, and to entail upon it an eternal suspension of specie payments. The paper of the new bank sank rapidly to one half its nominal value, and the creditor had his choice of two evils: one was to receive one half of his debt in payment of the whole, and the other was to receive nothing at all for two years, and at the end of that time to do the best he could—running the risk of new delays at the expiration of that time and of the bankruptcy of his securities. Great was the indignation of the creditor at this wholesale confiscation of his property, and society rapidly arranged itself into two parties, called relief and anti-relief."

In 1819 the charter of the Bank of Kentucky was extended to 1841; in the following year it was reduced to 1829, and in 1822 it was finally repealed.

The Bank of the Commonwealth commenced its financial existence under the same burden of legislative management which had crippled the Bank of Kentucky. It was to be managed by a president and twelve directors chosen by the legislature. All debts due the State might be paid in the notes of this bank, but, as has been seen, the bank's debtors might pay it what they owed in the notes of the Bank of Kentucky, while the charter required its own notes, payable to bearer, to be paid in specie. This provision was doubtless in pursuance of the purpose of the legislature, very soon carried into effect, of withdrawing all the money, stock, and business of the State from the Bank of Kentucky and dealing exclusively with the Bank of the Commonwealth. The Bank of the Commonwealth was authorized to loan money on real estate mortgages, but such loans as a rule proved disastrous. An amendment, approved December 18, 1821, set aside one half of the State's profits in the bank as a fund to be devoted to public education. This was the first step taken in Kentucky in the direction of the common school system; but if there were any profits to be so used, such employment was not of long duration, for in 1824 this fund was suspended by an act of the legislature, and whatever there

was of it was turned into the treasury. In 1830 the bank was authorized to dispense with any branch which did not pay its way, and in a very short time all were dispensed with. In the same year it virtually ceased to exist as a bank, having by virtue of legislative consent ceased to loan money, for the very excellent reason, however, that no one wanted to borrow of it. Its charter expired in 1841, but legislative authority was extended it to wind up its affairs, and for that purpose it remained alive for many years.

In 1830, the old Bank of Kentucky, the forty independent banks and the Bank of the Commonwealth having all gone into liquidation, there were practically no State banks doing business in Kentucky; but there were two branches of the United States Bank in operation in Kentucky, one at Louisville and another at Lexington.

But General Jackson had already declared, with the mighty oath with which he was wont to assert his fiercest resolves, that the charter of the United States Bank, which expired in 1836, should not be renewed. The people of Kentucky could not permanently rely, therefore, even on the meager accommodation afforded by the two branches at Louisville and Lexington, and the legislature again began the work, this time, however, with more wisdom, of providing banking facilities.

As one of the results of this movement, the present

Bank of Kentucky, with chartered privileges for thirty years, and a capital stock of five millions of dollars, was incorporated on the 22d day of February, 1834, one year after the incorporation of the Bank of Louisville, and one year before that of the Northern Bank of Kentucky. By the act of February 15, 1858, the charter was extended twenty years; and again, by the act of February 1, 1872, it was extended twenty-five years from October 1, 1884. By act approved March 8, 1843, the stock of the Commonwealth in the said bank was reduced from two to one million of dollars; and by acts approved respectively February 22, 1842, and December 13, 1861, the president and directors were authorized to reduce the capital stock of the bank, exclusive of that paid for by the Commonwealth, first to the sum of \$3,700,000, and subsequently to the sum of \$3,000,000.

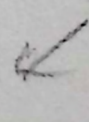
The Bank of Kentucky was organized under the provisions of its charter in January, 1835, and bought from the branch Bank of the United States the house in Louisville, on the north side of Main Street, between Second and Third streets, where it has ever since conducted business and which it now occupies.

In the Louisville Directory of 1832 is to be found the following description of this building, which was doubtless regarded at that time as an unusually imposing one, and is to-day not only more substantial than many of

modern construction, but is extremely convenient for the purposes to which it has always been devoted:

“BRANCH UNITED STATES BANK.

“This edifice, which was commenced last year, is now nearly finished. It is situated on the north side of Main, between Second and Third streets, and occupies a front of sixty feet. The main part of the building projects from the wings occupying a front of thirty-seven feet, and is two stories high. The lower story contains a large and commodious banking-room, vaults, etc. The wings of the building are two stories high. The west wing contains an office and other apartments connected with the bank. The east wing is appropriated to a hall and entrance to a suitable number of apartments over the banking-room, and to a back building appropriated as a dwelling. The front entrances to each wing are to be ornamented by handsome iron gates. The whole structure is built of brick, except the vaults and front of the main building which are of stone. The most prominent figure of the whole is the handsome tetrastyle Ionic stone portico, projecting eight feet in front of the principal entrance to the banking-room, and extending parallel with the front line nineteen feet. The proportions of this portico are those of the Temple of Bacchus at Teos, but differs materially in the form of its members. This structure when completed will be no inconsiderable addition to the public improvements of our city, and will not only reflect much credit on the mechanical skill of the various mechanics engaged in its erection, but remains another monument of the public spirit and extensive liberality of those who have the management of the institution.”

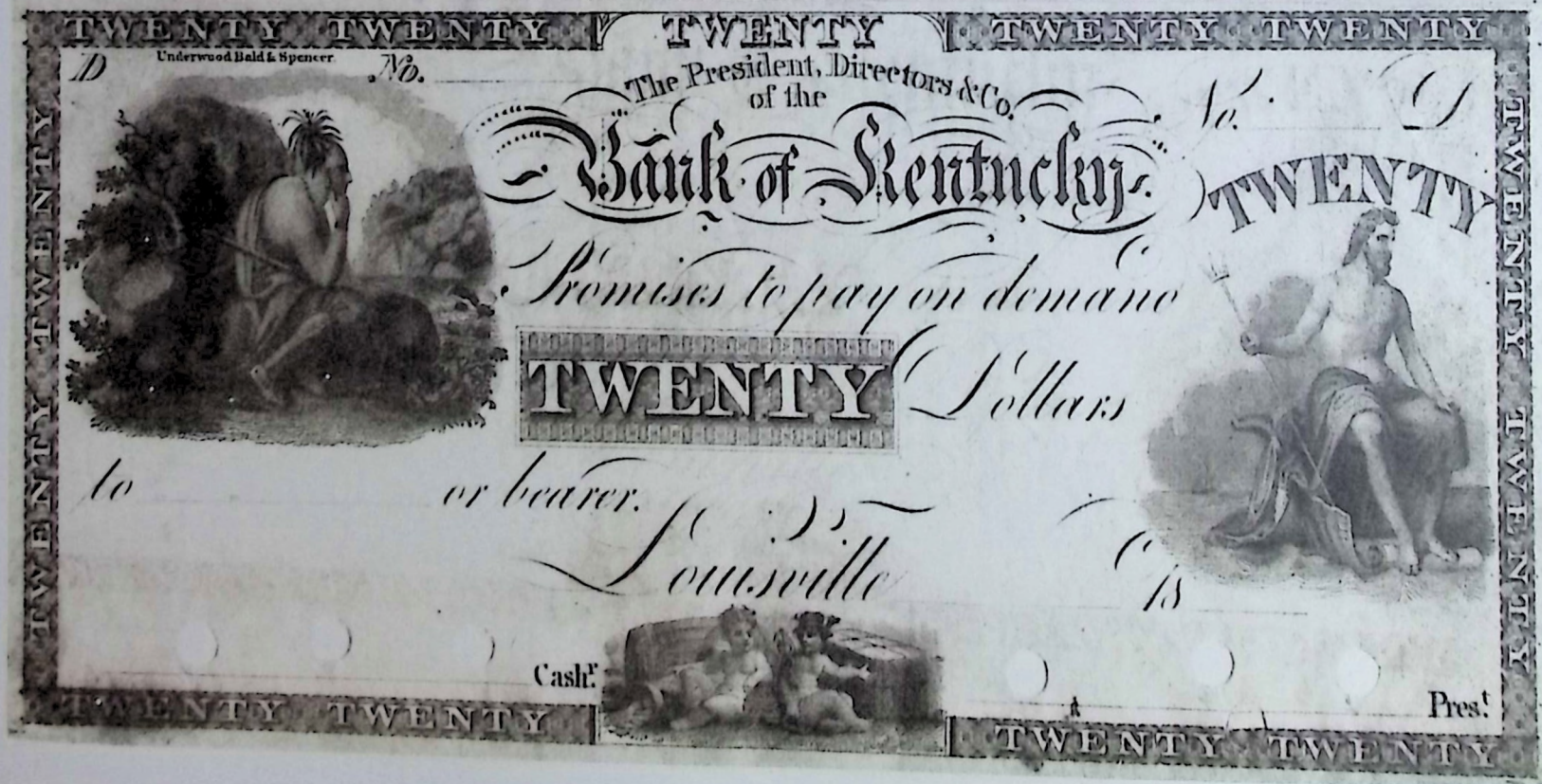
This was the first building erected by the National Government in Louisville. | 

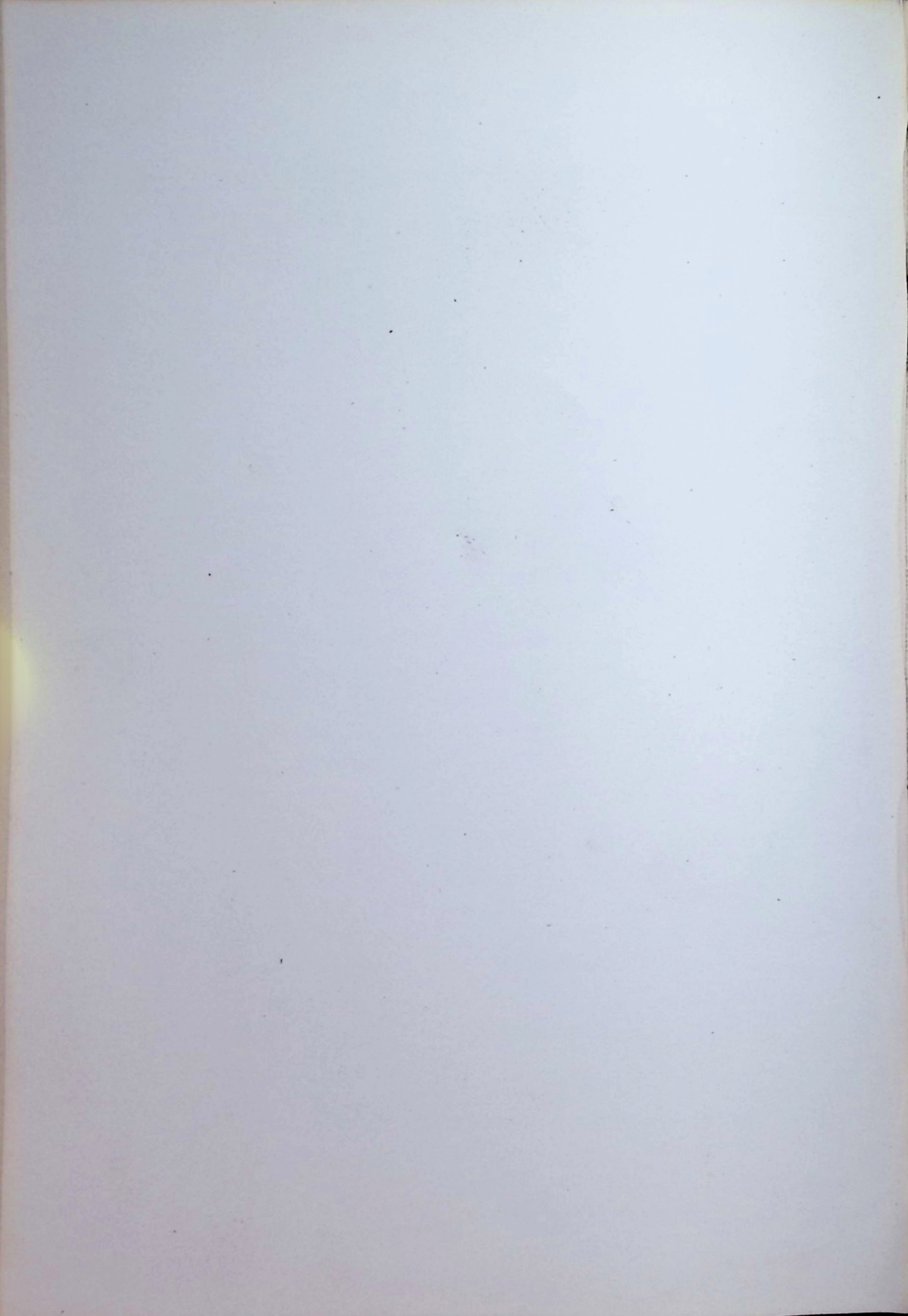
CHAPTER II.

1834-1843.

THE Bank of Kentucky came into existence at an era more auspicious, and under circumstances more favorable to legitimate and successful banking, than had attended the establishment of the other institutions of like character in Kentucky whose history has been briefly related. Incorporated so soon after the fate of the Bank of the Commonwealth had been decided by the triumph of the "Old Court" or "Anti-relief" party, and the final and emphatic condemnation by the people of the false and dangerous principles on which the management of that bank had been attempted, it was in a condition to profit by the lesson so generally and forcibly taught, that honesty and prudence are the best factors in the conduct of financial affairs, any departure from which will surely result in disaster.

Nevertheless the Bank of Kentucky began its career in a period of great financial hazard and incertitude; at a time full of peril even to the most solvent and cautiously managed enterprises. For many years after it commenced business, as will be seen, it was confronted with all the dangers and difficulties which accompany commercial disorder and monetary stringency.





The charter of the Bank of Kentucky, like those granted the two other institutions mentioned, incorporated so nearly of like date with it, was very similar in verbiage and substance to those which have been more recently created by special acts of incorporation. Its capital stock of five millions of dollars was divided into shares of one hundred dollars each, "to be subscribed and paid for by this Commonwealth, individuals, companies, and corporations." Messrs. John I. Jacob, Edward T. Bainbridge, William H. Pope, George Keats, W. C. Fellowes, William Bell, Leven Shreve, George Buchanan, Henry Forsythe, and James Stewart, of Louisville, and John W. Hunt, Benjamin Gratz, Thomas E. Boswell, Richard Higgins, and Elijah W. Craig, of Lexington, were appointed commissioners to open books and receive subscriptions for the capital stock, and to superintend the selection and induct in office the first Board of Directors. Upon notice of not less than thirty days, published in the newspapers of Louisville and Lexington, and thereafter on the second Monday in April, 1834, or at such other time within twelve months as the commissioners might deem expedient, the commissioners were authorized to open subscription books at Louisville, Lexington, and such other places within the State as they might in their discretion designate, and cause the books to be kept open for subscriptions from ten o'clock

in the morning until two o'clock in the afternoon, for a period of at least twenty days, and until at least ten thousand shares had been subscribed. It was also provided that "said commissioners may, if they deem it advisable, cause books to be opened for the subscription of any part of the stock they may direct, in any of the principal cities of the United States, on the same days that subscription books may be opened in this State."

The shares were to be paid for in gold or silver, at the rate of five dollars per share at the date of subscription, five dollars on each share within ten days after the election of the first Board of Directors, twenty dollars on each share within sixty days thereafter, and the residue in installments of ten dollars each every ninety days until the whole was paid.

The subscriptions to be made by the State were provided for as follows:

"That the Governor of this Commonwealth shall be and he is hereby authorized and requested, within ten days after the commissioners shall notify him that ten thousand shares of the capital stock of said bank have been subscribed by individuals, companies, and corporations, to subscribe for and on account of this Commonwealth twenty thousand shares of the capital stock of said bank; and he is further authorized and requested, when the third installment shall have been paid by individuals, companies, and corporations, on the request of the president and directors of said bank, to pay for five thousand shares thereof by executing to said

president and directors the bonds or scrip of this Commonwealth for five hundred thousand dollars, in such amounts as they may require, bearing on the face an interest of five per cent per annum, payable by this Commonwealth on the first Mondays of January and July in each year at the principal bank, and redeemable at the pleasure of this Commonwealth at any time within five years after the expiration of this charter. And when one million of dollars shall have been paid into said bank by individuals, companies, and corporations, the Governor of this Commonwealth is further authorized and requested, on the application of the said president and directors, to pay for five thousand additional shares of stock by executing the like bonds or scrip of this Commonwealth for five hundred thousand dollars, bearing like interest, which bonds or scrip shall be received by said president and directors as payment in full for ten thousand shares of said capital stock; and it shall be lawful for said president and directors to sell and transfer said bonds or scrip, and by indorsement thereon to agree and bind the bank to pay the interest, either annually or semi-annually, to whoever may be the holder of the same, without any demand being made upon the State for the interest thereof."

It was also provided that said bonds should "at no time be sold, transferred, or otherwise disposed of" for a less sum than the nominal amount of any such bond with the interest due thereon, nor until the whole sum for which the bond had been sold had been actually paid. The bank was required to redeem them without charge, out of its dues to the State, paying over any residue; and it was also required to reserve out of the dividends due on the State's stock the five-per-cent

interest accruing on the million dollars subscription of the Commonwealth, paid, as aforesaid, in bonds; and if there should remain any residue out of said dividends, after the interest was so discharged, it should be applied so far as it would go in payment for other shares of the stock of the bank, "until the payment of the whole ten thousand shares is fully made."

(So soon as three hundred thousand dollars in gold and silver should have been paid in by subscribers, the Governor was authorized to appoint, after receiving due notice thereof, some suitable person to count the money and take the sworn statement of the president and not less than six of the directors that the same had been paid in *bona fide* for capital stock of the bank. Such facts appearing and having been certified to the Governor, executive proclamation thereof might be made, and it should be lawful for said bank to commence business.

The powers and duties of the institution were more particularly set forth in the second section of the charter:

"That said bank shall have and keep its principal office of discount and deposit in the city of Louisville; and it may not have more than six offices of discount and deposit in other parts of this State. Its business shall be to loan money, discount promissory notes and bills, deal in exchange, and it may issue bills or bank notes payable to bearer on demand at any of its offices of discount and deposit, but

not of less denomination than five dollars; and it shall not issue any notes, bills, checks, or orders payable to bearer other than such as are made payable on demand. The promissory notes made payable to any person or persons, and payable or negotiable at the Bank of Kentucky or any of its branches, and endorsed to and discounted at said bank, shall be and they are put on the same footing as foreign bills of exchange; and remedy may be had jointly or severally against the drawers and indorsers, and with like effect, except as to damages, and except that in a regular course of administration they shall have no other or greater dignity or priority of payment than other notes; and the bank shall not, directly or indirectly, deal or trade in any thing except loaning money and exchange, and in gold or silver bullion, or in the sale of goods, chattels, rights, and credits really and truly pledged for money lent and not redeemed in time, or goods which shall be the proceeds of its lands."

These provisions were substantially amended by various subsequent acts. Additional branches were provided for by legislation. By act approved February 20, 1836, notes and bills, made negotiable and payable at any other bank or institution authorized to discount notes, were placed on the footing of bills of exchange; and the act of February 20, 1868, puts notes and bills discounted and bought by the bank on the same footing as foreign bills of exchange. After authority had been granted by acts of March 8, 1843, and January 21, 1848, to issue notes of less denomination than five dollars, the right to do so was prohibited by the act of February 15, 1858, under

the extended charter; but was again granted by act approved October 1, 1861. The act of February 15, 1858, also prohibited a circulation greater than the capital actually paid in. In 1865 the legislature authorized the banks of the State to deal in bonds and securities of the United States, or of the State of Kentucky, or of any corporation in the State of Kentucky.

By the act of March 16, 1871, the several incorporated banks of this Commonwealth were given the same power "to purchase bills of exchange or negotiable notes, payable at their own banks or other banks in the same town or city, as they now have to purchase bills or notes elsewhere;" also "the same right to receive in pledge or security articles of value, or bills of exchange, or promissory notes, as they now have to receive in pledge or security bonds of the United States and stocks, and full right and authority to sell and dispose of such pledges or securities to pay the debts for which the pledge is made or security taken, on the terms agreed upon by the parties."

Section 5 of the charter provided that: "The said bank shall not at any time suspend, fail, or refuse payment in gold or silver of any of its notes, bills, or other obligations due or payable, or any moneys on deposit," on penalty of forfeiture of its corporate privileges. Nevertheless, under the tremendous pressure of 1837, the

Bank of Kentucky, like every other bank, not only in this Commonwealth but in the United States, did suspend specie payment, and the legislature very wisely "exonerated" it from forfeiture of its charter therefor by the act of February 16, 1838.

Allusion has already been made to the alarming financial condition prevailing at the date of the establishment of the Bank of Kentucky, by no means confined to Kentucky but co-extensive with the continent if not the entire civilized world. Richard Collins furnishes a graphic account of the situation, although, perhaps, exaggerating the stimulus given speculative enterprises in Kentucky by the establishment of the State banks incorporated at that period. It is probable, however, that he does not overrate the undue impulse to speculation which their multiplication all over the country induced. He says:

"As soon as it became obvious that the charter of the Bank of the United States would not be renewed, the legislature of Kentucky, at its sessions of 1833 and 1834, established the Bank of Kentucky, the Northern Bank of Kentucky, and the Bank of Louisville, the first with a capital of \$5,000,000, the second with a capital of \$3,000,000, the third with a capital of \$2,000,000. The result of this simultaneous and enormous multiplication of State banks throughout the United States, consequent on the fall of the National Bank, was vastly to increase the quantity of money afloat, and to stimulate the wildest spirit of speculation. The nominal prices of all commodities rose with portentous rapidity,

and States, cities, and individuals embarked heedlessly and with feverish ardor in schemes of internal improvement and private speculations upon the most gigantic scale. During the years of 1835 and 1836 the history of one State is the history of all. All rushed into the market to borrow money, and eagerly projected plans of railroads, canals, slack-water navigation, and turnpike roads, far beyond the demands of commerce, and in general without making any solid provision for the payment of the accruing interest or reimbursement of the principal. This fabric was too baseless and unreal to endure.

"In 1837 all the banks in the Union and in Kentucky suspended specie payments. Kentucky was then in the midst of a scheme of internal improvement, upon which she was spending about \$1,000,000 annually, embracing the construction of turnpike roads and the improvement of her rivers, and she was eagerly discussing railroad projects on a princely scale. Her citizens were generally involved in private speculations, based upon the idea that the then buoyant prices would be permanent, and both public and private credit had been strained to the utmost.

"In this state of things the legislature of 1837 met and legalized the suspension of the banks, refusing to compel them to resume specie payments, and refusing to exact the forfeiture of their charters. A general effort was made by banks, government, and individuals to relax the pressure of the crisis as much as possible, and great forbearance and moderation were exercised by all parties. The effect was to mitigate the existing pressure, to delay the day of reckoning, but not to remove the evil. Specie disappeared from circulation entirely, and the smaller coin was replaced by paper tickets, issued by cities, towns, and individuals, having a local currency, but worthless beyond the range of their immediate neighborhood. The banks in the mean time were conducted

with prudence and ability. They forbore to press their debtors severely, but cautiously lessened their circulation and increased their specie, until, after a suspension of rather more than one year, they ventured to resume specie payments. This resumption was general throughout the United States, and business and speculation again became buoyant. The latter part of 1838, and nearly the whole of 1839, witnessed an activity in business and a fleeting prosperity which somewhat resembled the feverish ardor of 1835 and 1836. . . .

"In the autumn of 1839 there was a second general suspension of specie payments, with the exception of a few eastern banks. It became obvious that the mass of debt could not much longer be staved off. Bankruptcies multiplied in every direction. All public improvements were suspended; many States were unable to pay the interest of their respective debts, and Kentucky was compelled to add fifty per cent to her direct tax or forfeit her integrity. In the latter part of 1841, and in the year 1842, the tempest so long suspended burst in full force over Kentucky. The dockets of her courts groaned under the enormous load of law-suits, and the most frightful sacrifices of property were incurred by forced sales under execution. All at once the long-forgotten cry of relief again arose from thousands of harassed voters, and a new project of a Bank of the Commonwealth, like the old one, was agitated with a blind and fierce ardor which mocked at the lessons of experience and sought present relief at any expense."

The legislature met the crisis this time, however, with commendable courage and wisdom. The radical demands of the relief party were firmly refused, but concessions were made which, while approved by conservative people, satisfied even the most excited, and eventually produced

excellent remedial results. The existing banks were required to issue more paper, and give certain accommodations for a longer time and a regular apportionment.

The danger gradually passed away, and by the close of 1844 prosperity had returned.

Unquestionably there was much that was fictitious and only apparently prosperous in the immense activity which characterized the transaction of business everywhere during the period of which the historian speaks in the passages which have been quoted. Nevertheless there was a substantial as well as rapid growth and development in Kentucky and the States of the Mississippi Valley with whose people Kentucky traded, which furnished an assured foundation for successful financial operations by banking institutions intended to serve and encourage this trade if prudently conducted. The settlement of Tennessee had been of great commercial advantage to the Kentuckians by clearing the way for their traffic with communities farther to the south and east. But with the settlement of Alabama and Mississippi still larger commercial possibilities were afforded. Large plantations, inhabited by numerous agricultural laborers which yet did little in the way of food production, were the elements out of which the best markets for Kentucky's products were constituted. Kentucky furnished

the planters pork and flour by the rivers (the Mississippi, Tennessee, and Alabama) and sent them droves of horses, mules, and hogs by land. These markets were developed with startling rapidity. The population of Alabama was 127,901 in 1820, 309,527 in 1830, 590,756 in 1840. The population of Mississippi was 75,448 in 1820, 136,621 in 1830, 375,651 in 1840, 605,506 in 1850. The increase in cotton culture in the South during those years absorbed all available labor and excluded nearly all other forms of production, making that whole region dependent for food supplies upon the most accessible cereal and meat producing communities.

In 1800 the cotton crops of the South had reached 200,000 bales, and were worth \$15,000,000. The war with Great Britain checked the cultivation of this staple for some years, but the high prices following the war greatly stimulated its production. In 1815 the consumption of cotton by the New England mills had increased to 90,000 bales, and their output amounted in value to \$24,000,000. The mills of Great Britain and of New England continued to enlarge their demands, and the whole cotton-producing region was taxed to its utmost capacity to supply them. In 1830 the cotton crop, thus stimulated, had reached 1,038,848 bales.

The demand for the provisions and breadstuff of Kentucky, and for her live stock, induced by this rapid

increase of population in the Southern States consequent upon the great impetus given to the cultivation of cotton, was not the only commercial advantage it brought her. It afforded a market also for another valuable product. At a very early date the cultivation of hemp began in Kentucky, and its manufacture for exportation was commenced as early as 1802. So long as its use was confined almost entirely to cordage for vessels there was no special encouragement to the growth of this staple. But with the immense growth of cotton in the Lower Mississippi Valley the production of hemp in Kentucky was correspondingly stimulated. Manufactured into bale rope and bagging it was shipped in large quantities to New Orleans to be sold to the cotton planters. Collins states that in 1841 Mason and Fleming counties alone grew three thousand tons of hemp, and for many years the production steadily increased.

During all the years of financial disturbance the river commerce continued to grow in volume. In 1845 1,585 steamboats and 394 flat and keel-boats, with an aggregate tonnage of 318,741 tons, passed through the Louisville and Portland Canal, and a large part of this traffic was furnished by the city of Louisville.

The institution of the new and more conservative banking system in Kentucky was cotemporary with the inauguration of the railroad era. The construction of the Lex-

ington & Ohio Railroad between Lexington and Frankfort was commenced October 22, 1830, and on January 25, 1835, just about the date that the Bank of Kentucky was organized to begin business, the first locomotive and train of cars ran over the line from Lexington to the head of the inclined plane at Frankfort.

By Section 6 of the Charter it was provided:

"That the real and personal estate, business, property, funds, and prudential concerns of said bank and the administration of its affairs shall be under the direction, management, and control of eleven directors, eight of whom shall represent the private stockholders and three the Commonwealth of Kentucky. . . . They shall be stockholders, and after the first election shall have been stockholders at least three months previous to their election. They shall be residents of this State and citizens of the United States; and after the first election they shall be elected annually on the first Monday in May. Each director shall be the owner and holder of twenty-five shares of the stock in his own right; they shall hold their offices for one year and until their successors shall be chosen; at least three of them shall go out of office annually."

It was provided that the directors of the principal bank representing the private stockholders should be elected by such shareholders. The three directors representing the Commonwealth were to be appointed, with the advice and consent of the Senate, by the Governor. The president and directors of the principal bank were authorized "to appoint a cashier and nine directors for

each of the branches" (not less than four nor more than six) which they were required to establish; but the directors of the branches were given authority "to choose one of their own body as president, and appoint a clerk and such other officers as the president and directors of the principal bank shall direct." Declarations of dividends of the profits of the bank were prohibited until there should "be a surplus of twenty thousand dollars for each million of dollars of the capital stock of the bank actually paid in, and the surplus or contingent fund so raised shall never be reduced below that ratio on all stock paid for;" but it was made the duty of the president and directors of the principal bank on the first Monday in January and July of each year "to declare a dividend of the profits over and above the contingent fund aforesaid among the stockholders, payable to them on demand."

It was provided that:

"The amount of capital which shall be employed at the principal bank and at the several branches shall be under the direction and control of the president and directors of the principal bank, so as to employ the same most advantageously to the stockholders and the community; . . . *Provided*, there shall not be employed more than two fifths of the capital stock, actually paid in as banking capital, in the city of Louisville unless authorized by the legislature, and the bonds or scrip paid in by the Commonwealth shall not under this provision be considered as capital paid in until sold and the cash received by the bank; and it shall be lawful to employ

the first five hundred thousand dollars paid in by individuals, companies, and corporations as banking capital in the city of Louisville; and it shall then be the duty of the president and directors of the principal bank to employ the residue of the capital stock as paid in to the establishment of branches until three fifths of all the capital stock paid in shall be employed in the branches, and thereafter three fifths of what shall be paid in shall be employed in the branches, and the residue may be employed in the principal bank."

Section 15 contains a significant and, in view of recent legislation, perhaps quite important provision, viz:

"That it shall be the duty of the cashier of the principal bank on the first day of July, 1836, and on the first day of July in each succeeding year during the continuance of this charter, to pay to the treasurer of this Commonwealth twenty-five cents on each one hundred dollars of stock held and paid for in said bank, which shall be in full of all tax or bonus; *Provided*, that the legislature may increase or diminish the same; but at no time shall the tax exceed fifty cents on each one hundred dollars of stock paid for in said bank."

Of the first directory the three directors on the part of the Commonwealth were George Buchanan, George Keats, and Robert J. Ward; the eight elected to represent the private stockholders were William H. Pope, John I. Jacob, William Garvin, L. L. Shreve, James Stewart, William Riddle, William Fellowes, and William Bell. They were all well-known and prominent business men, and their selection was an assurance to the community that the affairs of the bank would be wisely and competently administered.

On the 26th of January, 1835, Mr. John I. Jacob was elected president and Mr. George L. Gwathmey, cashier; Mr. W. L. Bostwick was appointed first book-keeper.

Mr. Jacob may be justly described as a man of far more ability and character than are usually evinced by even the "successful" business man. He possessed qualities which would have commanded for him high and controlling position in any station or community in which fortune had placed him. He, and such as he, achieved in the commercial history of the West the sort of work which the undaunted, iron-willed pioneers who immediately preceded them had done in subduing the wilderness and expelling the savage.

He was born in Baltimore in 1778. On the paternal side he came of stalwart old English stock, from Romney in Hampshire. His father and mother both died in his infancy, and he was reared by his guardian and uncle, for whom he was named, John I. Jacob, of Oldtown, Maryland, a distinguished officer of the famous "Old Maryland Line." Early in the present century Mr. Jacob, who had received a sound and valuable business training in Maryland, emigrated to Kentucky, attracted by the glowing accounts of this region then so prevalent. It seems that after arriving in this vicinity he first settled and remained for a short time at Shepherdsville, in Bullitt County; but, quickly realizing the superior advantages and promise of

Louisville, then known as the Falls of the Ohio, he removed to the latter place, where he began an active and successful mercantile career.

Mr. Jacob took an especial interest and rendered substantial assistance in nearly every important commercial enterprise inaugurated during the period when he was in active business life. He was for several years director in the branch Bank of the United States located at Louisville, and was its president at the date of the expiration of the charter of the parent bank. His experience in that capacity contributed to qualify him for that able administration of the affairs of the Bank of Kentucky which he subsequently rendered, and more particularly, perhaps, in the important financial matters wherein the latter bank became, as it were, the executor of the defunct branch Bank of the United States. He aided materially in the construction of the Louisville & Frankfort Railroad, and was at one time president of the company.

As might have been expected under the management of such officers, the utmost energy and diligence were now employed to get fairly to work and effect the purposes intended by the establishment of the institution. The minutes of the proceedings of the directors kept for this period show that they were zealously at work and gave careful consideration to every detail necessary to

a thorough organization of the business and its prompt inauguration and extension.

By the eleventh section of the charter, in addition to the branch of the Bank of Kentucky, which was "to be located and continued at the seat of government, unless the legislature shall otherwise direct, to aid in the management of the fiscal affairs of the State," the president and directors of the principal bank were authorized and required to:

"Establish and continue one branch at some suitable place south of Green River, and one branch at some suitable place between the Green and Kentucky rivers, and two branches at some suitable places on the north of the Kentucky River as soon as the sale of the stock will justify their doing so; . . . and the right of the president and directors of the principal bank to change the location of a branch which shall have been mismanaged or shall have proved unproductive shall be unquestionable; . . . and they shall establish the branch at the seat of government first, and the others in such order of time as they shall deem expedient."

In accordance with these provisions a branch was located at Frankfort with very little delay, and Charles S. Morehead, E. P. Johnson, A. Parker, J. G. Theobald, S. J. Sharp, C. Samuel, J. L. Blain, and C. Richmond were appointed directors of said branch. Charles S. Morehead was chosen president by the other directors, and became consequently the first president of the Frankfort branch.

Branches were also established at Lexington, Maysville, Greensburg, Bowling Green, and Hopkinsville.

The directors appointed for the Lexington branch were Benjamin Gratz, Robert D. Todd, J. Hamilton, J. Bruin, W. H. Raney, S. Swift, Daniel Herron, Norman Porter, and J. H. McKinney.

The directors appointed for the Maysville branch were James M. January, W. M. Poyntz, William Phillips, E. Shultz, W. M. Mackey, R. H. Lee, J. Andrews, J. M. Morton, and John Armstrong.

Those appointed for the Greensburg branch were J. Brummal, M. Porter, J. McKnock, P. H. Chenault, T. W. Lisle, John Barret, Henry Embry, Hugh Mitchell, and G. T. Wood.

Those appointed for the Bowling Green branch were J. R. Skiles, Jacob Van Meter, John Marshall, M. M. Duncan, James Hines, P. C. Morehead, Alex. Graham, and Daniel Smith.

Those appointed for the Hopkinsville branch were John P. Campbell, L. J. Harkins, Thomas Horne, H. J. Phelps, James Breathitt, George Ward, Isaac Landes, Wyman Crow, and Jesse McCombs.

The amount of notes issued for the branches and put in circulation by them originally was, for Frankfort, \$241,000; for Maysville, \$126,000; for Lexington, \$200,000; for Greensburg, \$60,000; for Bowling Green, \$60,000; for Hopkinsville, \$60,000.

The committee appointed by the principal bank "on the state of the branches" reported as early as February 2, 1836, that they were in active operation and that their condition was encouraging:

"We consider the report of the Maysville branch as presenting a satisfactory distribution of the funds assigned it, both as regards the amount loaned to individuals and the proportion of capital employed in exchange; its circulation might safely be extended \$500,000 beyond the present amount.

"Lexington and Frankfort present a safe and prosperous condition, plainly evincing an ability to sustain an increased circulation. We therefore recommend that each be furnished with additional circulation of from \$60,000 to \$100,000.

"The southern branches exhibit great prudence in their discounts, and afford undoubted evidence of their entire ability to meet the monied necessities of their several communities, and only require a moderate increase of circulation to enable them to extend their business much beyond their present line. To Hopkinsville we recommend a further amount in circulation of \$40,000; to Greensburg, \$20,000. We would also suggest the propriety of recommending to the Bowling Green and Greensburg banks to extend their lines of discount, if the business of their communities will authorize it; if not, that a part of the capital assigned them be withdrawn."

On the 17th of June, 1836, the President, in response to a request of the Board of Directors, returned the following report, which may be of interest as illustrating the policy of the bank in its loans and discounts:

"The resolution of the Board of Directors of the 14th inst., requiring me to submit at their next meeting my views 'for the regulation of discounts in the Bank of Kentucky,' has received due attention, and after a careful review of all the liabilities taken from the summary of discounts to the 1st day of June, 1836, I have come to the following conclusion, which I beg leave to submit:

"1st. The capital paid in and allotted to the parent bank will not justify an extension of the present amount of local discounts, or an increase of the circulation of the notes of the Bank of Kentucky.

"2d. The interest of the stockholders and that of the Commonwealth will be more certainly secured and advanced, and the entire resources of the institution rendered more available, when required, by distributing the funds that can with safety be used in discounting paper by the bank among as large a number of punctual and solvent persons as practicable; and large and accumulated discounts to individuals and firms ought not to be made or continued.

"3d. For the purpose of distributing the discounts in smaller amounts and more generally among the community it is desirable that the Board shall direct that the discounts to individuals and firms be reduced as far as practicable, and that in this reduction the discounts to individuals and to the same persons, as a firm, be blended.

"4th. When one or more persons carry on business in the name of a firm, and are members of other firms doing and carrying on business under other names and styles, that the discounts of all such firms collectively shall be considered discounts for one firm for bank accommodation.

"5th. The notes of the Bank of Kentucky appear to be confined in their circulation (out of this State) to the following points, viz: to Pittsburgh, Wheeling, Cincinnati, Madison, and partially through Indiana; the general tendency of their

circulation is eastwardly, and for this reason are more likely to return with inconvenience to the parent bank. The notes of the Bank of Kentucky, as well as of the branches, are received by respective banks from Pittsburgh to Louisville, and are returned in large amounts, either through the Bank of Louisville or directly to this bank, and for them specie or Eastern funds are demanded, and large amounts of our Eastern funds, as well as specie, have been drawn from the bank for the purpose of meeting the return of paper in this way, which shows very clearly that the resources of the bank should be made as available as possible. I would therefore recommend that no discounts shall be made hereafter, except those payable at maturity, and for the purpose of getting clear, as soon as practicable, of the discounted notes styled 'accommodation paper,' and making the whole debt to the bank available at any time when required. I would further suggest the propriety of continuing as to this class of notes the call of 20 per cent on each cash renewal.

“(Signed) JOHN I. JACOB.”

The Board of Directors celebrated the Fourth of July, 1836, by adopting the following resolutions:

“That a dividend of four per cent be declared on \$1,004,900 of stock held by the State of Kentucky, to be applied as the charter directs; and that a like dividend of four per cent be declared payable on or after the 15th inst. (of which the cashier is directed to give due notice) on \$2,100,000, being \$70 per share on the amount subscribed by individuals, companies, and corporations; *Provided*, that the dividend aforesaid shall not be paid on any stock on which the calls made remain unpaid.”

It should be borne in mind that, at the date of which

this is written, the whole country was in the throes of the terrible financial convulsion which has been previously mentioned, and which culminated in the tremendous crash of 1837. Little if any efficient legislative attempt had been made in America to obviate the chances and evils of an overissue of circulation by limiting the power to issue notes payable on demand, and making the amount of such notes vary with the amount of coin in the possession of the banks issuing them; nor was this effectually done in England until by the passage of the act of 1844. Kentucky, of all the States, perhaps came as near requiring the observance of this salutary policy, by means of the provision contained in Section 4, of the Bank of Kentucky, and similar provisions in the charters of other banks incorporated by her legislature, viz: "that said bank shall not at any time owe, whether by bond, bill, note, or other contract, an amount exceeding twice the amount of the capital actually paid in, exclusive of sums due on deposit;" but a very large margin was yet permitted by this provision for an issue of notes, which, in periods of stringency and unusual pressure, might be considerably in excess of the capacity to convert them into specie.

A writer in the *Encyclopædia Britannica*, speaking of banking in the United States at this period and until the years 1864 or 1865, says:

"Before the late civil war it was the uniform practice of the different States of the Union to allow banks to be established for the issue of notes payable in specie, . . . and it may be said that banking was quite free, and that, practically, all individuals or associations might issue notes, provided they abided by the rules laid down for their guidance and engaged to pay them when presented.

"Under this system the changes in the amount and value of the paper currency of the United States were greater than in any other country, and it produced an unprecedented amount of bankruptcy and ruin.

"Between 1811 and 1820 about 195 banks in different parts of the Union became bankrupt; and it is said in a report by the Secretary of the Treasury of the United States, dated 12th May, 1820, that these failures, which mostly happened in 1814 and 1819, produced a state of distrust so general and severe that few examples of the like then had ever occurred.

"But, bad as this instance was, it was nothing to that which took place subsequently to 1834. The accounts of the aggregate issues of the banks differ a little, but the following statement is believed to be very nearly accurate, viz:

Years.	Notes.
1830,	\$66,628,898
1834,	94,839,570
1835,	103,692,495
1836,	140,310,638
1837,	149,185,890

"Now, observe this sudden and enormous increase took place under the obligation which we are told is quite sufficient to prevent all abuse of paying notes on demand. The result was what most men of sense must have anticipated, viz., that a revulsion took place, and that every bank

within the Union, without, it is believed, a single exception, stopped payment in 1837.

"In 1838 such of the banks as had been best managed and had the largest capitals resumed payment in specie. But in 1839 and 1840 a farther crash took place, and the bank notes afloat, which, as has been seen, amounted to \$149,185,890 in 1837 sunk to \$83,734,000 in 1842, and to \$58,563,000 in 1843. It is supposed that in this latter crash nearly 180 banks, including the Bank of the United States, were totally destroyed, and the loss occasioned by the depreciation which it caused in the value of stocks of all kinds and of all kinds of property was quite enormous."

How strange that at the very time when money was most abundant, and the *per capita* was larger than it had ever been before, this unexampled financial disaster should have come!

The Bank of Kentucky was not backward, at this date, in rendering assistance to the more important public improvements which were so efficiently contributing to the material development of the Commonwealth, but liberally, although with a prudent care of its own proper interests, gave help to these enterprises. On application by the city of Louisville, the Board of Directors decided, August 23, 1836, to loan the city the sum of \$200,000 with which to pay Louisville's subscription to the stock of the Lexington and Ohio Railroad Company. This sum was to be paid in installments of \$20,000 each, the first to be paid on the 5th of September; the others to be paid when

applied for by the City Council, provided that at least thirty days should be allowed between the payments of the respective installments. The city, as security for this loan, executed its bonds bearing six per cent interest and payable semi-annually, and based upon a pledge of city property and \$200,000 of the stock of the railroad company.

September 13, 1836, a proposition was submitted the bank by the Board of Internal Improvements to borrow \$90,000 in installments of \$30,000, payable monthly for three months, pledging as security for repayment all funds which might come into the possession of the Board until the debt should be discharged. The Board of Directors of the bank decided to loan the first installment of \$30,000, and to also loan the others, "should the situation of the country and the safety of the bank at the periods mentioned authorize, in the estimation of the Board, either or both of said loans." An additional sixty thousand was subsequently loaned.

At the same meeting of the Board of Directors the President was authorized and directed to sell "\$150,000 of Internal Improvement Bonds of the State of Kentucky and \$100,000 of the bonds of the city of Louisville," on such terms as his judgment should approve.

That those who managed the affairs of the Bank of Kentucky were fully alive to the rapid and immense

development of the neighboring communities south of their own State, and the great possibilities for an advantageous banking business which the growing commercial intercourse with those communities was opening, is shown by a report submitted by the "Committee on the State of the Branches" on November 4, 1836:

"Said branches are, in the opinion of your Committee, in a safe and healthy condition, . . . and your Committee have nothing to suggest in relation to their future operations, except that permission be granted to the Lexington Bank to extend its discount line in the purchase of Southern bills. This permission will enable that bank (as the Cashier represents) to retain a most profitable business with the drovers to the South, which will otherwise be lost."

The report was unanimously adopted, and the permission given.

Shortly afterward a proposition was submitted by the citizens of Paducah to the bank that it should establish a branch in that city, which was declined, as many branches as the charter authorized having already been established.

April 14, 1837, Mr. Jacob tendered his resignation as president. The Board of Directors sought to induce him to reconsider his intention; but, failing to do so, elected Mr. James Guthrie for the remainder of the unexpired term. At the succeeding regular annual election of officers on May 1, 1837, Mr. W. H. Pope was elected

President; and on the 26th of the same month Mr. Jacob, consenting to again serve as director, was elected to that office to fill the vacancy occasioned by the resignation of one of the Board elected for that year.

Mr. Guthrie, who was President of the Bank of Kentucky for the brief period of less than a month between the resignation of Mr. Jacob and the election of Mr. Pope, was one of the most distinguished citizens, not only of Louisville, but of the Commonwealth, and a man of national reputation. He was born near Bardstown, Kentucky, December 5, 1792. Educated at the Bardstown Academy, he commenced life as a merchant, dealing in produce shipped to New Orleans. He subsequently studied law with Judge John Rowan at Bardstown, and began the practice of the profession, in which he won fame and fortune, in Nelson County.

Mr. W. H. Pope came of a family eminently distinguished in the early annals of Kentucky. His grandfather, Colonel William Pope, came to the Falls of the Ohio from Fauquier County, Virginia, in 1779, laid out the town of Louisville, and was President of its first Board of Trustees.

Mr. Pope was born in Bullitt County, March 23, 1801. He began his business life as a lawyer, but finally decided to devote himself to mercantile pursuits. At first successful, he saw, like so many others, the gains of former



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M. V. B.

PRESIDENT 1837-1840.

years swept away by the financial storms of 1837 and 1847. After his second failure his attention and energies were entirely given to the management of the very large estate left by his father, of which he had been made the executor and trustee.

Notwithstanding his misfortunes in business, no man sustained throughout life a higher and more unblemished character for integrity. He was President of the Bank of Kentucky from May, 1837, to May, 1840.

May 2, 1837, the Board resolved :

"That the President inform his excellency, James Clark, Governor of Kentucky, that the President and Directors of the Bank of Kentucky, in accordance with the vote of a majority of the stockholders at their meeting on the 1st of May, 1837, accept the provisions of the act entitled, 'An act to invest in profitable bonds or stocks the surplus revenue of the United States required to be deposited with the State of Kentucky, approved February 23, 1837.'"

This act was passed to provide for the distribution of moneys deposited with the Treasurer of Kentucky, under the act of Congress authorizing the Secretary of the Treasury of the United States to deposit the "surplus revenue" with the several States. The treasurer of the State was directed by the act to pay a certain proportion of the installments of this surplus revenue, as they should be deposited, "on the ten thousand shares of stock held by the State in the Bank of Kentucky, and

not paid for with State bonds;" but the payment on said stock was to be made on the condition, "that said Bank of Kentucky shall establish one additional branch at some suitable and convenient point between the Kentucky and Green rivers, where there is now no branch or bank, upon the same terms and conditions as the existing branches of said bank are authorized and established."

On May 6, 1837, it appeared that the principal bank had issued of its notes \$2,430,000, and of the branches \$1,505,000.

But financial stringency and distress were now everywhere prevailing. The day of monetary abundance was past, and settlement was grimly demanded. Like their neighboring communities, Louisville and Kentucky were now paying the score of the speculative carnival in which all alike had so recklessly engaged. The best names in mercantile circles, the previously most solvent and prosperous firms and houses, both in Louisville and of the customers of the bank in all the region wherein its accommodations were afforded, were urgently asking renewals, extensions, or aid in some shape. Whoever will examine the minutes of the Bank of Kentucky, recorded during this period, can not fail to notice how largely was increased in the spring and summer of this year the number of mortgages of real estate in Louis-

ville taken by the bank as security for debts the mortgagors declared their utter inability to discharge.

May 11, 1837, it was resolved by the Board of Directors, "that the President of this Board request the Presidents of the Northern Bank of Kentucky and the Bank of Louisville to appoint committees from their institutions to devise ways and means to relieve, if practicable, the merchants of Louisville from their present pecuniary difficulties." And on May 18th it was resolved "that the Bank of Kentucky receive in deposit and payment no notes out of the State of Kentucky until satisfactory arrangements are made in the settlement of balances." On the same day there was a run on all the banks for specie, and on the next day, May 19th, the Kentucky banks generally suspended specie payment. It is certain that those banks could have continued to pay specie for some time longer, probably for several months, inasmuch as they had in their vaults some \$1,900,000 of specie and only \$3,300,000 notes in circulation (Collins); but their action was wise and timely, and was subsequently justified not only in public opinion but by legislative ratification. The New York, Philadelphia, and Baltimore banks, the Bank of the United States excepted, the banks of Pittsburgh, Wheeling, and Cincinnati had already suspended specie payment, and it was perfectly manifest to every well-informed business man that such

suspension would be universal throughout the country, and for a few banks in one community to continue to pay coin would merely bring ruin and bankruptcy on themselves without affording any considerable or permanent public relief.

The application of the Louisville Savings Institution for payment in specie of \$15,000 and \$25,000 in Kentucky paper was rejected May 19th by the Bank of Kentucky; and about the same date the Bank of the City of Louisville requested the Governor to convene the legislature.

On May 20th directions were issued to the Branch Banks as follows:

"Resolved, That the branches of the Bank of Kentucky be instructed, for the present, not to purchase bills of exchange on any point without the State of Kentucky, nor to receive, except in payment of debts due them, any notes except those of banks in the State of Kentucky.

"Resolved, That the branches be instructed not to increase their business, but to place themselves in a situation to liquidate as fast as possible balances due to this bank.

"Resolved, That the branches be instructed to convert all protested and unpaid bills into joint notes whenever practicable, requiring in all cases where amounts are increased by such means increased security.

"Resolved, That the branches be requested to use their utmost efforts to avoid the purchase of bills not based on real transactions, or the payment of which at maturity might be questioned."

June 6th a public meeting was held by the citizens of Louisville to request the Governor to convene the legislature, that legislative relief to the money pressure might be given.

On the same day the \$250,000 of State bonds loaned the Louisville Savings Institution were recalled. The banks of Louisville were notified by dry-goods houses of this city that these latter would require during the summer additional accommodations to the amount of \$314,000. The banks answered that the accounts of these houses exhibited already accommodations afforded them, aggregating the sum of \$350,000, on only adequate security, and that it would be impossible to grant their request for further loans to such an amount. They were also reminded that other lines of business were entitled to equal consideration.

Yet in the presence of all these difficult and discouraging conditions the Bank of Kentucky declared, July 3d, a semi-annual dividend of three and a half per cent, and August 4th, of a ledger balance of \$1,120,063.91, the bank had in silver \$132,171.74, and in gold \$167,471.

The resolution restricting the branches from purchasing bills, except within the State of Kentucky, was so far rescinded August 2d as to permit the Frankfort and Maysville branches to purchase bills at 90 and 120 days on North and South Carolina and Virginia, in order to enable

the Kentucky drovers to carry their live stock to those markets.

The seventh branch of the Bank of Kentucky was established, by resolution of August 8th, at Danville. This branch, it will be remembered, was established under the act of February 23d of this year. In September the Board notified the Treasurer of the United States that the Bank of Kentucky was willing to comply with the provisions of the act of Congress of June 23, 1836, and become a depository of the public money, in accordance with the terms prescribed by said act.

During this era of stringency the Bank of Kentucky, while taking prudential measures absolutely demanded by the exigencies of the situation, had not only promptly met all obligations, but had in no respect failed to fulfill every promise given of assistance to the State and municipal enterprises which had asked such aid. Indeed, so soon as the fury of the storm had in any degree subsided, the bank prepared and began to again render extensive accommodations.

The rule adopted not to discount paper outside of the State was relaxed. In October it was resolved to discount certificates of deposit in the Union and Planters Bank of Nashville and the Planters and Merchants Bank of Memphis; and wherever else in the South a similar policy could be judiciously hazarded and promised benefit to the customers of the bank it was adopted.

Early in 1838 an act of the legislature was passed prohibiting the issue or circulation of "shinplasters."

February 20, 1838, it was—

"Resolved, That the business of the principal bank and branches, under the provisions of the late act to extend the privileges of the Banks of the Commonwealth of Kentucky, shall be so regulated and conducted that the notes under discount and bills of exchange, including notes and bills in suit and suspended debt, shall not exceed \$6,000,000, and the business of the branches shall not at present exceed—

"At Maysville,	\$800,000
At Lexington,	925,000
At Frankfort,	625,000
At Danville,	225,000
At Greensburg,	220,000
At Bowling Green,	200,000
At Hopkinsville,	300,000

"Resolved, That under the above resolution officers of the branches be informed that they will be required to pay up the balances due the principal bank as they arise."

A proposition by the Governor, that the entire fund obtained by the sale of \$1,250,000 of State bonds issued for purposes of internal improvement be transferred to the Bank of Kentucky, was accepted by the Board June 5th, the condition of the transfer being that premiums realized on said bonds should be paid to the State.

On August 13th the Kentucky banks resumed specie payment.

The best evidence that the managers of the Bank of Kentucky deemed its affairs in a prosperous condition at that time, notwithstanding the trying experience of the year just concluded, is the fact that on January 1, 1839, it was resolved that "a dividend of four and a half per cent for the last six months be paid on \$1,700,000 of stock held by the State of Kentucky, and the same rate of dividend be paid, on or after the 14th, on \$3,000,000 of stock held by individuals, companies, and corporations, provided the dividend aforesaid shall not be paid on any stock not fully paid up."

In June of this year an additional by-law was adopted, as follows:

"That executors and administrators shall not be permitted to transfer the stock of the testator or intestate, unless they shall have obtained a grant of their letters testamentary or of administration in the State of Kentucky, if the stock stands on the books of the Bank of Kentucky; or, if the stock stands on the books of the agency for transfer in either of the cities of Philadelphia or New York, unless they have obtained a grant of their letters testamentary or of administration in whichever of the States of Pennsylvania or New York where the stock stands on the agency books, and certified copies of the letters testamentary or grant of letters of administration shall be held and filed in the bank or with the agents of transfer before the said transfer shall be permitted."

On July 1st another dividend of four and a half per cent was declared.

On the 30th of July it was resolved to remove the Philadelphia agency from the Schuylkill Bank to the Bank of the United States.

For some months previously to this date fair hopes had been held out that the monetary troubles which had wrought such wide-spread disaster were over, but the hope was delusive, and the detrimental effects of rash and unbridled speculation were to be yet further experienced. Even the most prudently managed institutions were to escape only with difficulty the financial perils which threatened the general business of the country. The storm of 1837 had not yet spent its fury, and the clouds gathered again in 1839. It became necessary to resort to the most decided measures to meet the situation, and the Bank of Kentucky at once began its preparations.

August 13th the President was requested to at once obtain "from \$100,000 to \$150,000 of specie on the best terms that it can be procured." This seems to have been a measure positively demanded by the existing exigency, yet on the 4th of October following the bank had only \$101,846 in silver and \$6,363 in gold of a ledger balance of \$1,115,851.60.

In September the branches at Frankfort and Bowling Green were instructed "to so regulate their calls as to reduce their lines of discount to the amount of their capitals respectively by the 1st of January next, and to effect

this object said branches be instructed to make no new loans on their discount lines." October 8th it was resolved:

"That as the banks and brokers of this and neighboring States are pressing on the Bank of Kentucky and branches for specie, and as a continuation of the run may be expected, in this condition of things it is the duty of the bank and its branches to protect themselves at all hazards, and to use all means in their power to withdraw their paper from circulation and to increase the amount of specie on hand, and make redrafts on all such banks as have or may draw on this bank or branches, and from such other sources as it can be obtained. Resolved that the amount of New Orleans paper on hand be dispatched by mail to A. H. Wallace & Co., to be invested in specie as speedily as possible, and that the paper be insured. Resolved that Jas. Guthrie, Esq., be requested to go to Frankfort to request the Governor to reimburse the bank by a sale of bonds, or otherwise, for advances made for internal improvements."

And October 15th it was resolved:

"That information having been received this morning of the suspension of specie payments by the banks of Philadelphia and Baltimore, and there being no doubt that a suspension of all of the banks in the Union will immediately take place, it is therefore expedient that this bank and its branches also suspend. Resolved that the exchange on New Orleans be increased to three per cent."

On the 16th there was another general suspension of specie payments by the Kentucky banks. Collins states that, on December 31st of this year, "they had in gold and silver \$1,108,047, and their circulation was \$3,940,333,

a decrease in one year of \$505,336 in specie, and \$1,477,987 circulation."

The Directors of the Bank of Kentucky determined at this juncture to require the notes maturing December 31st "to be paid in cash," and that all real transaction notes, subsequently discounted, should be paid, without exception, at maturity. It was announced as the settled policy of the bank, until the existing crisis had been passed, to discount small amounts "in urgent cases, keeping steadily in view the permanent reduction of the discount line and the increase of the bill line." It was resolved, moreover, that every effort should be made to increase the specie held by the bank in an amount not less than \$200,000.

The Kentucky banks did not resume specie payments until June, 1842. The financial skies had then cleared, and substantial prosperity returned to the country. Bank stocks, and especially that of the Bank of Kentucky, began to rapidly appreciate; and we may remember with just pride how courageously the State and the institutions she had chartered maintained their credit and fairly earned a general public confidence which has availed them well in later times. March 8, 1843, an act was passed releasing the Bank of Kentucky, the Northern Bank of Kentucky, and the Bank of Louisville from all forfeitures they might have incurred "by the suspension of specie payment."

CHAPTER III.

1839-1849.

IN December, 1839, the great fraud perpetrated by the Schuylkill Bank of Philadelphia and its dishonest cashier, afterwards president, Hosea J. Levis, was discovered. It was a matter thoroughly and deliberately dishonest from its inception to its conclusion, and the fraudulent practices to be described extended through a period of, perhaps, three or four years without detection. It was a skillfully planned and daring as well as exceedingly villainous business, and caused the Bank of Kentucky no small damage and embarrassment. Indeed it may be justly said that the fact that it did not inflict graver and permanent injury is evidence of the strong vitality of that institution, and of the good sense, energy, and courage with which its affairs were managed.

Although, as has been said, the fraud was discovered in 1839, it was nearly ten years before the litigation which grew out of it was concluded and the matter was finally adjusted. It can be more conveniently narrated, however, and be made more intelligible to the reader by treating it separately than if its incidents be related in connection with other events in the history of the Bank which occurred during the same period. In itself it

furnishes an interesting chapter, not only in regard of the facts, the methods and devices by means of which the fraud was carried into effect, but also because of the legislative action and judicial utterances which it evoked.

To clearly explain the manner in which this fraud was accomplished it is necessary to recite the 26th section of the charter of the Bank of Kentucky, the 12th and 13th of its original by-laws, and certain resolutions passed by the Board of Directors. The 26th section of the charter provided:

"That the President and Directors shall issue certificates of stock to the holders thereof whenever they shall be paid for; and the shares of the capital stock of said bank shall be considered and held as personal property, and assignable and transferable only in such manner and at such place or places as the President and Directors of the principal bank shall by their by-laws prescribe."

To carry out the provisions of this section, the President and Board of Directors passed the 12th by-law, to wit:

"The stock of this bank shall be assignable and transferable at the bank in Louisville, and in other places where the bank shall appoint agents for this purpose, personally by the stockholder, or by his attorney, upon the surrender of the certificate thereof."

The 13th by-law provided, that—

"In places where the bank shall appoint an agent for this purpose, an assignment or transfer endorsed upon the

certificate, signed by the principal or his attorney, and attested by the agent, shall be of the same effect as if the stockholder or his attorney had personally executed and delivered the same at the Bank of Kentucky."

On the 3d of February, 1835, at a meeting of the Board of Directors, the following resolution was adopted and recorded, to wit :

"*Resolved*, That the President and Cashier be authorized to establish transfer agencies in New York, Philadelphia, and New Orleans, under the by-laws relating to the transfer of stock."

In pursuance of said resolution, Mr. Jacob, with the assent and approbation of the then cashier, Mr. Gwathmey, wrote to Messrs. Riddle and Robert, at Philadelphia, informing them of the action taken by the Bank of Kentucky in regard to the establishment of transfer agencies, and stating that it would be very agreeable to the Board of Directors if either the Schuylkill Bank or the Girard Bank would accept such an agency. In this communication to Messrs. Riddle and Robert was inclosed a letter addressed in blank, intended for the instruction of whoever should accept the agency. It ran as follows:

"SIR: As a large portion of the stockholders of the Bank of Kentucky reside in your city, New York, and New Orleans, it is deemed necessary for their convenience that books should be opened in each of these places for the transfer of stock. For that purpose I have been authorized to select

agents, and the object of this address is to be informed by you if your institution will accept the agency. The Bank of Kentucky will speedily go into operation, by which time it is desirable that, not only the different agencies be established for the transfer of stock, but that the best system for the accommodation of the distant stockholders be adopted. In the anticipation of your acceptance of the agency, I now offer for your consideration the outlines of what I should consider a convenient and safe system, viz :

"The proprietor of stock shall hand to you as agent the certificate of the different installments paid, duly assigned (if transferred), which you will forward to the bank; in lieu of such certificate will be forwarded by the bank the following certificate as transfer warrant :

"No. —

BANK OF KENTUCKY.

"To ———, *Philadelphia.*

"This is to certify that A. B. is the proprietor of twenty-six shares of the capital stock of this institution, upon each of which shares ten dollars have been paid; and that the said A. B. has delivered to this bank the certificates thereof, which have been cancelled for the purpose of having said twenty-six shares placed in his name and to his credit in the book of transfer at the ——— in the city of Philadelphia.

"G. C. G., *Cashier.*"

"On issuing the above warrant the stockholder's account will be closed in the books of this bank and the ——— will be credited by the amount when the warrant gets to you. You will open an account and credit the stockholder by the amount in your books, and, as the authorized agent, give a certificate which will authorize him to transfer in your books at pleasure.

"Upon the adoption of this plan it will be necessary that twenty days before an election of directors (which will occur annually on the first Monday in May) you will forward a list of such stockholders as will have held their stock three cal-

endar months previous to the day of election ; and as the first Monday in January and July are the days fixed on for declaring dividends, to avoid uncertainty and confusion as to whom the dividends are to be paid on any shares, whether at Philadelphia or Louisville, the books at each place will close against transfer warrants between each other on all stock transferred subsequent to the 10th day of December and June; and if such transfer warrant is issued from Philadelphia, the dividends are to be paid at Louisville, and if from Louisville, to be paid at Philadelphia. On receipt of this please advise me on what terms and conditions you will accept our transfer agency, and keep our account for your city. Very respectfully, your obedient servant,

"JOHN I. JACOB, *President.*"

A few days subsequently Mr. Jacob again wrote Mr. Riddle as follows:

"Since my letter to you of the 6th February, and duplicate the 5th March, enclosing a letter for you to address to the person whom you may think proper to select as transfer agent for the Bank of Kentucky, it has occurred to me that it will be attended with more convenience to the stockholders in your city and New York to give to the respective agents some additional instructions.

"I would therefore suggest that the agent in Philadelphia should, on surrender of certificates, be authorized to make the transfer immediately from the bank to his books, and to issue his certificate as agent to the transferee, advising the Bank of Kentucky of such transfer, and forward the surrendered certificates at his convenience.

"It has been intimated also, that, for the better accommodation of our stockholders in the eastern cities, the agents at Philadelphia and New York be authorized, on the surrender

of certificates, to issue transfer warrants from the books of one agency to those of the other. You will much oblige me by communicating these instructions to the agent in your city."

On March the 18, 1835, Mr. Hosea J. Levis, Cashier of the Schuylkill Bank, responded to Mr. Jacob's communication of February 6th to Messrs. Riddle and Robert, accepting the transfer agency for that institution, and offering certain suggestions as follows:

"For the better accommodation of the stockholders here the following is the system which has been adopted on opening the transfer books, viz: The proprietors of all stocks subscribed for in this city are, on the surrender to us of the scrips and receipts for installments, credited on the stock ledger, and receive forthwith from this institution as agent a certificate for the amount, with power to transfer on our books as occasion may require. A stock account has been opened with your institution, which is debited with all stock placed to the credit of individuals, of the amount of which you will be advised so soon as all the original scrip issued by the Commissioners shall have been surrendered to us. By this means you will observe that the necessity of requiring the stockholders to wait until the original scrips and receipts shall reach you, and warrants be returned before certificates can be issued to them, will be avoided; and at the same time all the papers connected with the subscription in this city will remain within reach for reference, if required (subject, however, to your orders). On transferring stock from one agency to another, the stockholder's account on our books will be closed, and the agency to which the warrant is addressed will be debited with the amount. Your directions with regard to

forwarding a list of stockholders three calendar months previous to the annual elections will be duly complied with; as also the observance of the periods you mention for closing the books of transfer, and transfer warrants preparatory to declaring the dividends. As considerable labor will attend the transfer department, the customary charge of \$500 per annum will be made for keeping the books, etc.

"Collections will be made by us for your institution on Pennsylvania, New Jersey, Delaware, Maryland, New York, and Boston, generally free of charge. We have just been informed by Messrs. Fellowes and Bell that instructions are received at New York to call in the third installment on the 30th inst., and suggesting the propriety of notifying stockholders here that the third installment will be received at the same time. We shall accordingly take measures to do so, although we are without advice from you on the subject."

To this letter an early answer was returned, notifying the Schuylkill Bank that the suggestions of Mr. Levis were satisfactory and had been largely anticipated, and that the terms proposed by that bank for transacting the business of the agency were accepted by the Bank of Kentucky.

In pursuance of this understanding the Schuylkill Bank opened a stock ledger and book of transfers on which were to be placed the shares of stock originally subscribed on the Commissioners' books in Philadelphia, and those transferred by warrants from the principal bank at Louisville, or from the transfer agency of the Bank of Kentucky established at the Union Bank in New York, and proceeded to accept surrenders of the scrip issued for

Bank to the transferee, in the same form as that which was given the original subscriber.

The form of transfer warrant, by which the account of a stockholder in regard of the transferred stock was removed to the principal bank or to the New York agency, was as follows, viz:

"No. "Shares.	SCHUYLKILL BANK. 183
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"To the Union Bank of New York, acting as agent of the Bank of Kentucky. This is to certify that ———, the owner of — shares of the capital stock of the Bank of Kentucky, on which — on each share have been paid (as per certificate No. —, dated —, issued by this bank, as the agent for the said company), and that the said ——— has delivered to this Bank the aforesaid certificate, which has been cancelled for the purpose of having the said — shares placed in — name and to — credit on the books of transfer, opened by the said Bank of Kentucky at the Union Bank of New York.

"In witness whereof, the cashier of the Schuylkill Bank has hereunto affixed his signature with the seal of the said bank, the day and date above named.

"——— Cashier."

It is obvious that, if the Schuylkill Bank had faithfully observed these precautions and had honestly discharged its duty as transfer agent, it would have been impossible for any one who had no such stock to his credit on the books to have transferred stock of the Bank of Kentucky. Suspicion that fraudulent practices in this respect had

been permitted was first aroused by certain anonymous letters written the Bank of Kentucky; an investigation was at once instituted, and on the 16th of December, 1839, when the transfer books were delivered to the Bank of the United States, into whose custody they were ordered during the pendency of the investigation, it was ascertained that the Schuylkill Bank had made, or suffered to be made, an overissue of the certificates of shares of the stock of the Bank of Kentucky to a very large amount. It was discovered that certain parties, whose names are given in the bill filed by the Bank of Kentucky against the Schuylkill Bank, who had no such stock and no authority from any genuine owner of stock to sell or transfer the same, had been permitted to sell and transfer nearly three thousand shares of stock purporting to be stock of the Bank of Kentucky, and that H. J. Levis, then cashier of the Schuylkill Bank, who himself held no shares, and had no authority to sell from parties who did hold them, had transferred thirteen thousand three hundred and seventy-four shares, had issued certificates or transfer warrants for the same, and opened accounts on the stock ledger with the persons to whom they were transferred, giving them credit therefor.

As significant of the fact that the fraud was not that of H. J. Levis solely, but of the bank as well, it was shown that the ledger was accessible to various officers

and directors of the Schuylkill Bank, and bore evidence of having been much used. This ledger was extended into two volumes, in the first of which Levis' account was entitled without the addition of the word "cashier" to his name, but in the second volume, into which it was continued, the word "cashier" was added.

After the discovery of the overissue, John Maxwell, of New York, surrendered four hundred and forty-seven shares which he acknowledged he had not paid for, and some of the parties first mentioned had their accounts balanced by the subsequent transfer to them of genuine stock; but there was left outstanding of this overissue of certificates, as appeared after the most careful scrutiny and comparison, twelve thousand nine hundred and ninety-seven shares.

It seems that the fraud was rendered less difficult of accomplishment by the fact that previously to its discovery the Bank of Kentucky and its agents, the Schuylkill Bank and the Union Bank of New York, issued the certificates of stock to the original subscribers without numbering them, and the same also passed on the transfer books of the principal bank and at the agencies, and were transferred, by transfer warrants, from the principal bank to the agencies, or *vice versa*, without being numbered. In the bill of complaint filed by the Bank of Kentucky it was directly charged that the officers and agents

of the Schuylkill Bank knew of this overissue and deliberately permitted it, and it was further charged that:

"The said overissue was made for the use and benefit of said Schuylkill Bank, and the greater part thereof sold, and the proceeds used and appropriated to their own purposes by the Schuylkill Bank; that said bank was very largely indebted to various banks and others in the city of Philadelphia and elsewhere, and threatened with insolvency when the sales of the spurious shares were made; and that in most, if not all, cases the Cashier of the Schuylkill Bank transferred this spurious stock to brokers in New York and Philadelphia for sale, and when sold the proceeds of the sales went directly and immediately into the Schuylkill Bank, and were applied to the payment of debts and liabilities against said bank, which the said bank was unable otherwise to provide for; and thus that bank was enabled to pay very large sums to other banks and individuals and apparently to free itself from indebtedness, or said proceeds were otherwise used by said Schuylkill Bank or are still retained by said bank."

It was further stated:

"That when the overissue was first ascertained, as aforesaid, there was standing to the individual credit of H. J. Levis, then President of the Schuylkill Bank (he having shortly before resigned the office of cashier and been chosen president of said bank), a sum exceeding three hundred thousand dollars; and that on the night of the same day when these misdoings transpired said Levis resigned his said office of president and drew his check for this large sum standing on the books of the bank to his individual credit, in favor of H. J. Levis, Cashier, and thus his individual account was closed, and H. J. Levis, Cashier, was credited with the amount

of the check, and by this means the Schuylkill Bank became possessed of that large sum and has applied it to the use of said bank; and that the Schuylkill Bank also caused H. J. Levis to make an assignment of his effects and property for the benefit of the said bank, and has from the property so assigned realized large sums of money, which it has also appropriated to its own use. . . . That H. J. Levis, on the night of the day these transactions transpired, declared repeatedly that the issues of spurious stock were made and the stock sold to raise money to get the Schuylkill Bank out of its difficulties and embarrassments, and that the whole proceeds were applied to that object and not one cent to his individual use; and such declaration was spread on the minutes of the bank and is now in the possession of the officers of said bank. That afterward he made two depositions when in Paris, whither he had absconded, to the same effect, both of which are in the possession of the Schuylkill Bank."

It was further stated:

"That the Schuylkill Bank so kept the books of the agency that it was able to distinguish the real amount of the actual or genuine stock, and made their reports to the principal bank accordingly, and thus escaped the detection, which would inevitably have ensued had it reported the whole amount of the issues."

On the 17th of December, 1839, the Bank of Kentucky filed its original bill in the Court of Common Pleas for the city and county of Philadelphia, sitting in equity, and an injunction was issued against the Schuylkill Bank restraining that bank from parting with or disposing of

any moneys in its possession derived from the issue of the spurious stock of the Bank of Kentucky. The matter rested at this stage of the litigation for several years.

In the mean time the Bank of Kentucky was making every effort to compensate the innocent holders of the spurious stock. The legislature of Kentucky passed an act, approved February 22, 1842, "granting certain powers to the Bank of Kentucky," by which the bank was authorized to increase its capital stock one million of dollars, and gave it ample authority to compromise with the *bona fide* holders of the spurious stock by exchanging for it, share for share, genuine stock, and by purchasing "any of the certificates of overissue or claims to shares having their origin in such overissues." In pursuance of the provisions of this act the Bank of Kentucky, within a few years after its enactment, satisfied all of the victims of its dishonest agent who presented their claims or could be found.

On the 13th of June, 1842, the legislature of Pennsylvania passed an act relating to the subject of this controversy. This act provided that the complainants shall be—

"Authorized to proceed in equity in the Court of Common Pleas, in and for the city and county of Philadelphia, against the Schuylkill Bank and any other person or persons the complainants may think fit to make parties defendant, either by a new and original bill or bills, or by amending any

bill or bills now pending in said court, for the settlement and decision of all controversies, complaints, claims, and questions between said banks, and especially all and every controversy, complaint, claim, and question arising out of certain alleged excessive issues of stock of the said Bank of Kentucky, or liability or liabilities therefor, and commonly known by the name of 'spurious stock,' or out of any disposition or transfer of the same or any part thereof, or any liability arising therefrom; and all and every account or accounts between the said banks, of what nature or kind whatsoever, so as to make a final end thereof; . . . and that the said court be and is hereby authorized to take cognizance and jurisdiction of any suit or suits in equity, as aforesaid, instituted or to be instituted, and to hear and determine all such matters in controversy after the manner of a court of equity, and to make such final decree and grant such relief 'as to justice and equity shall appertain.' "

Accordingly, on the 6th of September, 1842, the Bank of Kentucky brought "their amended and supplemental bill" in the said court against the Schuylkill Bank and Hosea J. Levis, in which bill were set forth the facts in connection with the overissue of stock which have been previously recited in this chapter.

The defendants in their answer denied all the material allegations of the bill, and assumed a number of defensive positions which they endeavored to maintain in argument, and which were very adroitly presented.

It is only necessary to notice two of these, however, the two on which the defendants chiefly relied, and which were most earnestly and elaborately discussed.

These contentions were, first, that the Schuylkill Bank never was in law and in fact the transfer agent of the Bank of Kentucky, and was not responsible for the defaults charged in the bill; and, second, that admitting it was such transfer agent, nevertheless, under the circumstances disclosed by the proof, the Schuylkill Bank was not liable to the complainants for the sum of \$839,608.40 alleged to have been deposited in said bank by Levis from the proceeds of the fraud, and converted by said bank to its own use and advantage. The defendants contended, on the contrary, that Levis was indebted to them in an even larger sum, and that he alone was the guilty party; that he perpetrated the fraud without the knowledge and collusion of defendants, and deposited the proceeds to his individual account for his own private use and purposes.

After a very able and exhaustive review of other and more technical questions involved, and objections raised by the defense, the court proceeded to discuss, in an opinion of great power, these salient propositions. The great length of this opinion precludes its publication herein in full; but, omitting much of the reasoning, which, while profound and cogent, may not be interesting to the general reader, and the voluminous citation of authorities, the quotation of some of the more striking passages may be pardoned.

The court held that under the twenty-sixth section of its charter the Bank of Kentucky had the right "to establish an agency in Pennsylvania for the transfer of its stock, authorizing such agent to receive from its stockholders transferring their stock the surrender of their old, and empowering such agent to issue certificates to the transferees;" that "the creation of the Philadelphia agency was in strict conformity with law so far as respects 'the officers and agents' making the contract on behalf of the Bank of Kentucky."

Then, after citing the by-laws and the correspondence of the Bank of Kentucky with the Schuylkill Bank, which have already been set forth in this chapter, the court said:

"Under these provisions of charter and by-laws the bank appointed a special agent in Philadelphia, and authorized that agent to receive the old certificates from the transferers and issue new ones to transferees. Nothing is said which confines the issue of new certificates on any change of ownership of stock to the principal bank in Louisville. It might, as things have resulted, been a safer course for the bank, rendering frauds, such as here complained of, more difficult. But at the same time it would have embarrassed the marketable quality of the stock. A purchaser of bank stock wants the immediate evidence of his title; a seller, the means of immediately consummating his bargain and realizing its fruits. The fluctuating value of the thing renders the prompt closing of all bargains in it necessary. A transfer agency of stock, without power to issue new certificates to purchasers on receiving the surrender of old ones from sellers, would be

devoid of a most vital element of its usefulness. The right to invest an agent with such a power arises from necessary and natural implication. Where power is given a corporation to constitute an agent for the transfer of its stock, the grant embraces all the usual and accustomed means of carrying the specific authority into effect. If authority for every incidental and occasional act performed by a corporation is to be sought for and found in the words of its charter, acts of incorporation must swell into codes, and these be framed with consummate accuracy, or the corporation would be perpetually at fault in its simplest movements. The remoteness of the principal bank from New York and Philadelphia, where its stock was chiefly held, most clearly indicated the necessity and propriety, in the creation of transfer agencies in those places, of investing them with all the power the bank could impart to render transfers simple, facile, and perfect. . . . But, admitting the twenty-sixth section of the charter of the Bank of Kentucky and the by-laws passed in pursuance of it could be construed as requiring each appointment of a special transfer agent to be the subject of a special by-law, and as making new certificates on the surrender of old ones issuable only by the principal bank at Louisville, such provision would seem to be but directory, and not prohibitory. And if a regulation is merely directory, then any deviation from it, though it may subject the officers to responsibility to the government and stockholders, *can not be taken advantage of by third persons.* . . . It being therefore the opinion of the court that there was nothing to prevent the Bank of Kentucky, as a corporation created by the laws of another State, from making such a contract in Pennsylvania as that charged in the bill, and that the contract, if in fact entered into, was in conformity with its charter, it remains to be inquired into, whether there is any thing in the contract so incompatible with the positive laws or general policy of Pennsylvania as a

sovereign State, requiring her courts to refuse their aid in its enforcement. Undoubtedly, if such is its character, it can not receive our recognition."

After a thorough examination of this branch of the question in every aspect, the court said :

"We have thus progressed in this investigation until we have ascertained that the contract for the creation of the Philadelphia agency of the Bank of Kentucky was, if in fact entered into, a perfectly lawful contract in both contracting parties; obnoxious to no law of either State, and perfectly within the legitimate scope of authority possessed by the directors of both banks."

"It is contended," the court proceeded to say, "that the contract for this agency being made by the president and directors of an incorporated bank, it became, from a necessity equally known to both parties, requisite to employ the assistance of sub-agents in its execution; that the Cashier of the Schuylkill Bank was the sub-agent, so chosen by that corporation with the assent and approbation of the complainants; that all the frauds charged in the bill were perpetrated by him without the connusance or connivance of the President or Directors of the bank; and that under such circumstances the bank is no farther responsible for his acts than arises from the general obligation of every principal agent to act with good faith and ordinary care in the selection of a secondary agent. The principle on which this position rests is the familiar one that where it is usual and necessary for a principal agent to employ a sub-agent, as, for example, a broker or an auctioneer, to transact the business, in such a case the principal agent will not ordinarily be responsible for the negligence or misconduct of the sub-agent, if he has used reasonable diligence

in his choice as to the skill and ability of the sub-agent. But indisputable as is this principle, it has no relevancy to an agency like the present. The cashier of a bank, while carrying into execution under the orders of the directors a lawful contract, such as the contract creating this agency is shown to have been, is in no sense of the word a sub-agent of the Board of Directors. He is a statute officer, not of the directory, but of the corporation, lawfully empowered to carry the contracts of the corporation into execution, as the directors are lawfully authorized to make them when acting within the sphere of their authority derived from the corporation. . . . Where a principal agent in the execution of his agency is obliged to employ external aid, where he is compelled to resort to the functions of a third person in the completion of business of the agency, with whom he has no connection and over whom he has no control, a different standard of responsibility prevails. Such is the case where a principal agent to sell goods is, by the course of trade, necessitated to employ a regular broker or auctioneer to make the sale. Law and reason limit his responsibility for the acts of the third person thus necessarily introduced to care and diligence in the selection of an apparently proper person for the purpose required. . . . But was it ever heard of, that an agent charged with negligence or fraud could relieve himself from liability to his principal by showing that his clerk or his porter were the immediate actors in the wrong, and acted without his authority. . . . After the authoritative enunciation of such a doctrine there would be found few rational persons dealing with banks. It would sweep away at once every substantial liability of these corporations and leave all persons unwise enough to deal with them at the mercy of every subordinate in their employ. But no such doctrine exists. Persons, natural and artificial, in this respect stand on the same broad platform. Whenever either enters into the execution of an agency to be performed by

themselves, and within themselves, or to be consummated by some third party with whom they have no connection and over whom they have no control, but who is resorted to from the necessities of the business of the agency, each is under the same exact measure of responsibility to the principal. No less, no more. The difference between them lies in the manner of contracting for and executing the agency, not in the legal extent of the obligation when assumed. The natural person contracts and performs personally; the artificial person contracts and performs through its corporate functionaries. A corporation can no more contain within itself the function of a primary and secondary agent than can a natural person."

The court met the argument that the Cashier of the Schuylkill Bank was the selected agent of the Bank of Kentucky, and that after the first proposal to establish the agency, the latter enhanced his powers by permitting him to retain the original certificates surrendered, and by authorizing him to issue new certificates, with the objection that, "If he was selected and confided in by the Bank of Kentucky, it was as the Cashier of the Schuylkill Bank with which it proposed contracting; and if there was any modification in the original scheme of the agency, it was one which came to the knowledge and met with the approbation of the Board, or the complainants must fail for want of proof."

In regard to the proposition, "whether the Cashier of the Schuylkill Bank could *ratione officii*, and without previous special authorization, or subsequent ratification

of the directors, bind the corporation by entering into this contract of agency," the court said:

"The *ex officio* authority of a cashier to bind the bank is only such as he is held out to the public to possess according to the general usage, practice, and course of business of such institutions, and his acts within the usage, practice, and scope of business bind the bank in favor of third persons having no knowledge to the contrary. In the scope of *ex officio* authority, the right to contract for such mutual agencies as are said to have existed between the Banks of Schuylkill and Kentucky does not seem embraced. But this question is of no practical materiality in this case, because the complainants rest on having, as they suppose, established that the Board of Directors of the Schuylkill Bank, both by previous command and subsequent ratification, authorized the contract for the establishment of this agency. If this be so, and if the cashier was charged with the execution of it, when so made, the corporation is most clearly liable to third persons for the consequences of his acts."

The court refused to recognize the point attempted to be made by the defendants, that the agency was a gratuitous one, the \$500 provided in the original contract for clerk hire taking it out of such category, and after this arrangement was modified the benefit accruing to the business of the Schuylkill Bank, in the facilities offered by such an agency for the collection of western debts due to eastern merchants, furnished a valuable consideration for its services as such agent. And this part of the subject was disposed of with the decisive declaration:

"The conclusions arrived at, that the Schuylkill Bank, if responsible at all for the defaults charged in the bill, is chargeable as a direct and paid agent, supersedes the necessity of examining into the question as to what would be regarded as good faith and ordinary care in the selection and supervision of sub-agents by a primary agent, or of subordinate officers employed in the execution of a gratuitous trust; or the question, how far these obligations have been faithfully executed in this case by the Schuylkill Bank. If the Schuylkill Bank was the transfer agent of the Bank of Kentucky, it was a direct and paid agent, and is under all the legal obligations imposed on such agents."

Another contention was as readily disposed of, viz., that at the time of filing the original bill the Bank of Kentucky had no claim in its own right against the Schuylkill Bank, having at that time lost no property and sustained no injury; that such injury as was done by the issue of the spurious stock was to the purchasers of said stock, and that until the Bank of Kentucky had been, by operation of law, made responsible for these frauds of its agent, it had no claim against such agent for reclamation and indemnity. The court said:

"This question arose and was in substance disposed of in considering the claim of the complainants to equitable relief in the case made by their original bill. We there held, that admitting the Schuylkill Bank to have been the actual and legal transfer agent of the Bank of Kentucky, and as such to have fraudulently overissued its stock to *bona fide* purchasers thereof, that the bank was entitled to file its bill *quia*

timet, which the court would retain, and from time to time, either through a referee or by a *quantum damnificatus*, give relief to the extent of the loss it was shown to have sustained by the frauds of its agent. Or that, if this could be questioned, the act of 1842 gave the complainants on their amended and supplemental bill an unquestionable status in court."

Then, reviewing all the evidence, as furnished by the correspondence of the parties and the testimony of witnesses, the court passed on the final question involved "in the first branch of the cause, to wit, whether the Schuylkill Bank was or was not in point of fact the transfer agent of the Bank of Kentucky," and said: "From the inception to the termination of the relations between these banks, as shown by the complainants' proof, there appears a connected series of acts and circumstances tending to establish the fact of the existence of the agency as charged in the complainants' bill."

The contention of the defendants that the Schuylkill Bank never agreed to act as transfer agent, but that H. J. Levis (acting in his individual capacity) was such transfer agent, was rejected on the same proof. The fact that no minute of such agreement appeared on the books of the Schuylkill Bank was held to be no proof that such agreement had never been made, and totally insufficient to rebut positive evidence that it had been made. The court said:

"To the absence of a recorded vote on the minutes of the directors of this bank showing the acceptance of this agency we do not attach much importance. The question for solution is not the existence or non-existence of such a minute, but whether the corporation of the Schuylkill Bank entered into a contract with the Bank of Kentucky to execute the duties of transfer agent for the latter. Although a corporate vote to that effect, found on the corporation minutes of the Schuylkill Bank, would be irrefragible evidence of the fact, the absence of such a minute proves nothing *per se* against its existence. . . . The general public and the complainants had the right to assume that the directors of the Schuylkill Bank did their duty, that they supervised their officers, read their own letter-book, knew that in thousands of instances their corporation was exhibited to the world, in all its most solemn forms of expression, as the agent of the Bank of Kentucky. The law will presume the performance of such obvious duties, and the knowledge of such flagrant facts so far as respects third persons dealing with the corporation. Any other doctrine would make corporations of this kind public evils.

"The effort to prove Levis to have been the transfer agent of the Bank of Kentucky, if successful, would of consequence relieve the Schuylkill Bank from the liabilities sought to be visited on them by the complainants. For, as the complainants had but one Philadelphia transfer agent, if Levis was such, the Schuylkill Bank was not. The circumstances on which the Schuylkill Bank relies as establishing Levis to have been such agent are, in our opinion, utterly inadequate to nullify the clearer proofs of its own corporate agency."

Nor was the Bank of Kentucky, in the opinion of the court, required to act with more promptness than it did; or in any degree to be censured for not having changed its

agent merely upon rumor and suspicion. In its remote position it could not, even had it been under such obligation, have supervised the acts of an executive officer of the Schuylkill Bank, a duty which, however, was imperative upon the directors of the latter bank. The court said:

"In the course pursued by the directors of the Bank of Kentucky when threatened with the heavy calamity which subsequently came upon their bank we see nothing to censure; nothing but that cautious and deliberate action which the wise and prudent, charged with the management of important affairs, always pursue. Rashness or precipitation in them might have ruined the Schuylkill Bank, if innocently impugned, and through that means affected themselves."

The court concluded by declaring that:

"Of the fact that spurious and fictitious stock of the Bank of Kentucky, in nominal value equaling a million and a quarter of dollars, issued from the Schuylkill Bank, signed by its officers, under its seal, professing to act as transfer agent of the Bank of Kentucky, no doubt exists. . . . It is equally certain that to almost the entire amount of this liability the Bank of Kentucky, under the legislature of that State, has faithfully responded; and that of the unsatisfied holders of this spurious stock the complainants are made the representatives by the wise and just law of this Commonwealth.

"It follows that our decree must be pronounced against the Schuylkill Bank, requiring that corporation to indemnify the Bank of Kentucky, as well in its own right, as representing the unsatisfied holders of spurious stock, for all losses sustained by the unfaithful conduct of this agency. For the

purpose of ascertaining the extent of such indemnity the usual reference must be made.

"In respect of the second head of the case, to wit, whether, supposing Levis to have been the true agent of the complainants, the defendants are not bound to pay to the complainants the great amount received by him from the proceeds of the sale of the spurious stock, and either deposited in or used for the purposes of the Schuylkill Bank, it is unnecessary for us to decide. The decision that the Schuylkill Bank was the transfer agent of the Bank of Kentucky, and responsible for all the results of the maladministration of this trust, supersedes the necessity of such an inquiry."

In accordance with the tenor of the decree rendered by the court, an order of reference was made to a Master in Chancery to compute the amount of indemnity the Bank of Kentucky was entitled to recover from the Schuylkill Bank, which was ascertained and adjudged to be \$1,184,738. The case was appealed to the Supreme Court of Pennsylvania, and the judgment of the lower court, amounting with interest to \$1,343,000, was affirmed in February, 1849. But the total assets of the Schuylkill Bank proved to be worth only \$430,000, so that the loss sustained by the Bank of Kentucky by this fraud, including large fees to the counsel engaged and other heavy expenses attending the prosecution, aggregated nearly if not quite a million of dollars, besides an immense temporary depreciation in the market value of its stock.

CHAPTER IV.

1840-1873.

MR. VIRGIL McKNIGHT was elected President of the Bank of Kentucky May 5, 1840, and he continued to hold that position until May 2, 1872. He had previously been appointed a director for the State, and had served a brief time in that capacity. Mr. McKnight was of Virginia parentage, and was born in Woodford County, Kentucky, April 1, 1798. For many years previously to his connection with the Bank of Kentucky he had been successfully engaged in mercantile pursuits, and had established a reputation for sound judgment in financial as well as commercial affairs. He rendered valuable service to the Commonwealth during the financial difficulties which have been described, and was active in the effort to induce the banks to sustain, as they so potently did, the threatened credit of the State.

His experience in banking did not commence with his appointment as director of the Bank of Kentucky, for he had previously served for several years as a director of the Bank of Louisville.

Mr. McKnight's time and attention were given, for a considerable period after his accession to the presidency,

almost exclusively to the matters connected with the Schuylkill Bank fraud, as has been narrated in a previous chapter, and to his diligence, energy, and excellent judgment was largely ascribed its final adjustment without even greater damage.

Mr. McKnight's services in this regard were gratefully appreciated and substantially acknowledged by the stockholders; and they added materially to his already high reputation as a financier.

Under his astute and prudent management the bank rapidly recovered from the ill effects of this tremendous injury, and in a few years its stock sold at a premium. In all other transactions of which he had charge, he displayed the same sagacious, conservative, and yet resolute policy; and he would sanction no important measure, whether in the private or public business of the institution over which he presided, unless the parties with whom he dealt admitted him fully and without reserve into their confidence. He sometimes gave offense to those who applied for loans by shrewd and close questioning in regard to the purposes to which the money loaned was to be applied. If any customer suggested that it was not his province to judge of the propriety of the use of the borrowed funds, but simply to pass upon the value of the security offered, he would reply that he considered sound and discreet business methods and con-



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V. M. Knight.

PRESIDENT 1840-1872.

duct a very important element of the security, and that he was not willing to lend money when he believed it would be injudiciously invested. He was firmly convinced that his duty to both the stockholders of the bank and to the community demanded of him this caution. Whatever may be thought of this rule in other respects, it certainly commands admiration as an evidence of unflinching adherence to an honest conviction. An interesting illustration of this disposition was afforded by his answer to Governor Magoffin when the latter proposed to inaugurate his policy of armed neutrality, and desired, as an essential preliminary, to purchase a large supply of arms and munitions of war. Other banks replied to the Governor's application without asking any questions in turn. But Mr. McKnight requested to be informed specifically of his Excellency's intentions, and declared bluntly that he would consent to no such loan without first having a satisfactory guarantee that the arms, when purchased, would be employed "solely for the defense of the State of Kentucky and the Union." Inasmuch as the "defense of the Union" did not enter appreciably into the Governor's plans, Mr. McKnight's terms were not approved by him and he preferred to do without the money.

During his long life Mr. McKnight preserved the profoundest respect of the people among whom he lived, and their confidence in his judgment, integrity, and absolute sincerity was confirmed from year to year.

Governor Wickliffe's proposition, early in 1840, that the bank should take part of a contemplated issue of \$600,000 State bonds in payment of the debt due it by the Commonwealth was declined; and, on account of doubts entertained by the Board of Directors of the legality of such a step, the bank also declined to advance money in anticipation of future dividends to be paid the State.

Soon after Mr. McKnight's election a standing committee was appointed to inspect the business of the branches. Monthly statements of bills purchased were required from each branch, showing the total amount held on any individual or firm when such amount exceeded \$5,000, the date of the maturity of each bill, and the names of drawers, endorsers, payees, and discounters. The statements were required to include all bills and notes due and unpaid for ten days next preceding the date of such report; and the branches doing business in the same general territory were also required to interchange lists of their purchases of bills.

In September of the same year, upon a comparison of the amount of business done, and capital consequently required by each, it was resolved to withdraw one hundred thousand dollars from the capital previously allowed the Maysville bank, and to divide that sum between the Frankfort and Danville branches.

As the effects of the great panic abated and confidence became restored, the banks of Kentucky cautiously but constantly extended their accommodations, and in their operations kept fully in touch with the general improvement in business. They manifested an anxious desire to resume specie for many months before it was entirely safe to do so, and the minutes of the Bank of Kentucky show that the matter was frequently discussed in the Board and with the other banks. Finally a conference was held April 4, 1842, by the Bank of Kentucky, the Northern Bank of Kentucky, and the Bank of Louisville, at which the affairs of each and the general financial situation were thoroughly canvassed, and by joint agreement June 15, 1842, was fixed as the day of resumption. At the annual meeting of the stockholders of the Bank of Kentucky, held in May, this action was endorsed, and it was resolved that it "be accompanied by as liberal and judicious an expansion as the safety of the institution and the co-operation of the other banking institutions of the State will justify."

A necessary and important duty imposed upon its officers by the trying and dangerous ordeal through which the bank had recently passed was to ascertain, as nearly as possible, what might be saved out of the volume of indebtedness due it, and at once institute the best measures to recover from this wreckage and

debris of the financial convulsion all that could be realized. Accordingly, in December, 1842, the branches were instructed to open accounts upon their books, entitled "to cover losses," and to charge thereto all losses sustained by each since the date of its establishment—"whether by notes discounted, bills of exchange, bank notes, bank failures, or otherwise"—and that the entries should show the dates of the notes or bills, the names of all parties which appear thereon and bound therefor, and also the date at which each became payable, and the reason, if known, why it was not paid. The entry was required to furnish, as far as possible, a full and explicit history of the debt. Each branch was also instructed to forward to the principal bank on the first day of January, 1843, one and one half per cent of the amount of its capital and of its profits for the preceding six months in Eastern funds; and that the residue of the profits for said period, after deducting expenses, be entered to the credit of the fund to cover losses—copies of said entries to be furnished the principal bank. The branches were further instructed to report all future losses in the same manner, and incorporate all such entries in their weekly statements.

The legislature of Kentucky, in this year's session, rejected every proposed measure of so-called "relief" which savored of former financial policy, among others



a bill to incorporate another "Commonwealth's Bank," modeled after the earlier experiments of that nature which have been mentioned. The beneficial results of this wise and resolute conduct were almost immediately perceived. One was the speedy appreciation of Kentucky State bonds, which sold in New York at figures greatly in excess of those of neighboring States which had adopted a temporizing policy.

The act of March 8, 1843, as has been stated, released the banks from all penalties on account of the measures in contravention of their charter provisions which the terrible necessities of the times had compelled.

By Section 14 of said act it was enacted:

"That the Bank of Kentucky and the Northern Bank of Kentucky and the Bank of Louisville be and they are hereby restored to all their corporate privileges, and released from all the forfeitures which they may have heretofore incurred by the suspension of specie payments; *Provided*, that this section shall apply only to such of said banks as shall comply with the provisions of this act. But if the next legislature fail to take legal steps to enforce the forfeiture, on account of any failure on the part of any of the banks to comply with the provisions and conditions hereby imposed, such failure to act shall be deemed and held in law as conclusive evidence of the fact of a compliance, and the restoration of the charter shall be complete and unconditional."

A condition, however, quite unusual was annexed, one which ordinarily might have been impolitic and deemed

onerous, but which, under all the circumstances, was admitted to be wise and just.

Section 15 of the act made it—

“The duty of the said banks within three months to loan to the citizens of each of the ten congressional districts in which the Bank of Louisville may not locate a branch, upon new accommodations, in sums of not more than one thousand dollars to each individual applicant, to be repaid in calls of not more than ten per cent upon the original amount loaned for the two first one hundred and twenty days the said loan shall run, and not more than twenty per cent for each one hundred and twenty days it may afterward run, an amount not less than one hundred thousand dollars to each congressional district; *Provided*, that if there should not be suitable and satisfactory applications for the amount to which any district may be entitled before the first day of July next, then the said banks may lend in larger sums than one thousand dollars; *Provided, however*, that if said banks shall fail to make the loans herein provided for within the time stated, for the want of proper and satisfactory applications therefor, then the said banks shall have the benefit of the provisions of this act, in case they shall make the loans as aforesaid, to the amount named, within the year 1843.”

It was made “the duty” of the Bank of Kentucky to make the said loans in the third and seventh congressional districts; and by Section 17 of the act it was provided that—

“It shall be the duty of the Governor of Kentucky, upon satisfactory proof being made to him by the Bank of Ken-

tucky that she has made the said loans in districts Nos. 7 and 3, in addition to the aggregate amount of the business of said bank as reported to this legislature, to receive from the Bank of Kentucky, upon her tendering the same, one million of the five-per-cent bonds of the State of Kentucky now held by said bank, and to cancel the same, and the stock of the State of Kentucky in said bank shall be reduced one million dollars; *Provided*, the said bank shall release to the State the disputed claim of one hundred and twenty-five thousand dollars interest on said bonds now appearing in the report of said bank."

The provisions of this act were promptly accepted by the Bank of Kentucky, and the Board of Directors resolved, March 13th, that it was "expedient and proper" that the bank make loans, "as contemplated by said act," to the amount of one hundred thousand dollars to the citizens residing in the Seventh Congressional District, and that said loans be apportioned as follows: To the City of Louisville, \$27,000; to Jefferson County, \$17,000; to Shelby County, \$20,000; to Henry County, \$14,500; to Oldham County, \$8,000; to Trimble County, \$7,000; and to Carroll County, \$7,000. The loans apportioned to the several counties of the Third Congressional District were apportioned as follows: To Todd County, \$11,000; to Logan County, \$16,000; to Warren County, \$16,000; to Simpson County, \$8,000; to Allen County, \$10,500; to Monroe County, \$9,000; to Barren County, \$22,500; and to Hart County, \$9,500. It was resolved that said loans

should be made in sums not exceeding five hundred dollars to each individual applicant.

The loans in the Seventh Congressional District were made by the principal bank; those in the Third District by the branches located therein. Separate registers of said loans were required to be kept for each county, and instructions were given that among the applicants for such loans those who had not previously obtained accommodations from the banks should be preferred.

In June of that year the \$1,000,000 of State bonds were returned and canceled in accordance with the provisions of the act, and the stock of the State in the Bank of Kentucky was reduced one million of dollars.

By this act of March 8, 1843, the number of directors of the Bank of Kentucky was reduced to eight; of which six were to be chosen by the stockholders and two to be appointed by the State.

In July, 1843, the branches were required to reduce their accounts within \$10,000, and the parent bank also adopted a similar restriction, although not to such an extent.

In the years 1843 and 1844 the bank settled its bad debts upon the best terms it could command, and the general bankruptcy law became a factor influencing bank settlements. The Bank of Kentucky held many thousand acres of land taken for debt, and its agents were kept

busy in making such disposition of them as was possible under the conditions of the period.

Mr. D. S. Benedict, a director of the bank, was appointed temporarily its agent at New Orleans, and was instructed to compromise with the Merchants Bank of that city, which was largely indebted to the Bank of Kentucky. He was also instructed to sue the Agricultural Bank of Mississippi, and to collect without delay all debts due the Bank of Kentucky in the territory included in his agency. Ample authority to sue for or compound all debts due the bank was given him.

A resolution recorded in the minutes of the bank of May 21, 1846, will prove of interest to many readers of this history. The Governor at this date desired to forward to New Orleans, as speedily as possible, a part of Kentucky's quota of volunteers for the Mexican War.

The detachment which he wished to send was the "Louisville Legion," numbering six or seven hundred men, and recruited principally in Louisville and Jefferson County. The necessary funds for the transportation of these troops could not be immediately procured from the Government of the United States, and the Governor, in order to avoid delay, requested twenty-five thousand dollars of the bank to be used in conveying the soldiers to their destination. A meeting of the Board of Directors was called to consider the application. Upon motion

of Mr. McKnight it was resolved that the sum requested should be furnished his Excellency. The bank had, certainly, little reason for apprehension concerning *this* debt, for the individuals and firms whose names appeared as sureties for its payment were Virgil McKnight, William Preston, John I. Jacob, Robert J. Ward, Joshua B. Bowles, Thomas T. Shreve, Alfred Thruston, Robert Tyler, L. L. Shreve, Chapman Coleman, William Gay, William Fellowes, James C. Johnston, Thomas Anderson, Hamilton Smith, James Guthrie, Levi Tyler & Son, Benedict & Carter, Clifton, Norton & Co., H. D. Newcomb & Brother, Andrew and Robert Buchanan, James Levi & Co., Prentice & Weissinger, and Casseday & Ranney.

The records of the bank exhibit during and after this period a steady increase of business and confidence. The resolute and sagacious spirit which had ruled its councils in the days of adversity was receiving its proper reward. An effort has been made in these pages to show how the organization, which eventually became so thorough, was perfected. The extracts taken from the minute books illustrate what may be termed the tentative period of the history of this institution. The instructions issued from time to time by the Board of Directors, and the rules prescribed for the conduct of business, as experience suggested their propriety, seem almost without exception to have accomplished the purpose intended.

Often elicited by some problem novel at the time, or sudden emergency, that which was meant merely as a temporary expedient became a regulation, and was incorporated in the systematic policy of the institution.

The bank had indeed now served its novitiate and passed through its gravest probation. There were yet serious difficulties for it in the future, but it was destined to encounter no such danger as it had already overcome. It was a question hereafter only of prosperity; its safety and stability were permanently assured.

At the annual meeting of the stockholders in May, 1849, the final winding up of the protracted and vexatious litigation with the Schuylkill Bank was announced. That institution had conveyed to the Bank of Kentucky all of its assets, real and personal, and the account was closed. It was many years, however, before the Bank of Kentucky realized on all of these assets, and the last of the properties so acquired was sold only a few years before this history was published.

In January, 1849, the Bank of Kentucky transferred to the Louisville & Frankfort Railway Company two hundred thousand dollars of bonds of the city of Louisville in exchange for bonds of the railway company to the same amount; the latter to be paid in ten years in installments of \$40,000 each. The era of railroad construction was fairly inaugurated about this date, and the

bank continued to aid these enterprises. Up to October, 1853, in addition to assistance rendered other lines in which it might be presumed to feel a more direct interest, it had loaned \$102,000 for the extension of the Maysville & Lexington Railroad. Some three years later the bank bought of the Louisville & Nashville Railroad Company \$135,000 of thirty-year six-per-cent bonds, secured by a first mortgage on the Lebanon branch road.

In 1853 the Commissioners of the Sinking Fund had continued the deposit of surplus revenue with the Bank of Kentucky—\$100,000 to remain in New York, subject to call, at three per cent, and \$210,000 remaining in the principal bank at Louisville. But in June, 1856, the Board of Directors notified the Governor and Chairman of the Sinking Fund Commissioners that the bank would no longer pay interest on this deposit, and suggested its withdrawal.

The dividends declared in this, and several years immediately following, may be regarded as conclusive evidences of the prosperity and successful management of the bank. The following statement, showing the earnings of the principal bank and branches for the six months ending December 31, 1855, may be of interest:

	Capital.	Gross Profits.	Expenses.	Fund to Cover Losses.	Net Profits.
Principal Bank, .	\$1,480,000	\$102,163 05	\$13,293 18		\$88,869 87
Frankfort Branch,	350,000	28,944 48	3,203 60	\$820 25	24,920 58
Lexington Branch,	650,000	41,863 53	4,552 45	4,811 08	32,500 00
Maysville Branch,	450,000	24,388 67	3,580 60		20,808 07
Danville Branch, .	220,000	19,920 78	2,178 44	142 34	17,600 00
Greensburg Br., .	125,000	10,902 58	1,116 95		9,785 63
Bowling Green Br.,	175,000	15,331 38	1,290 31	41 07	14,000 00
Hopkinsville Br.,	250,000	25,912 99	2,984 44	928 55	32,000 00
	\$3,700,000	\$269,427 41	\$32,199 97	\$6,743 29	\$230,484 15

On this exhibit a dividend of five per cent from the regular business of the bank was declared, and one per cent extra dividend from the assets of the Schuylkill Bank. Semi-annual dividends of five per cent from the regular business and extra dividends from the surplus—of which the assets of the Schuylkill Bank, collected from time to time, formed the principal part—continued to be paid, until in July, 1858, five per cent extra dividend from the surplus—the collections of Schuylkill Bank assets amounting in that year to \$156,000—was declared in addition to the regular dividend.

At an adjourned meeting of the stockholders, held for the purpose in June, 1858, the provisions of the act of February 15, 1858, extending the charter of the Bank of Kentucky for twenty years from the first day of October, 1864, were accepted for the bank.

By an act approved February 15, 1858, the Bank of

Kentucky was required to establish, in one year from the first of June, 1858, a branch at the town of Columbus, in the county of Hickman, with a capital of \$150,000; and said branch was accordingly established by resolution of date April 19, 1859. R. S. Cook was appointed president and Wm. Owens, jr., cashier.

The panic of 1857, which so seriously affected the banks and large mercantile houses of New York and Boston, while exciting much alarm and causing great financial stringency in Kentucky, produced no ill effects on the prosperity of the banks of this State. All of them, even after the New York banks had suspended, continued to pay in specie. The minutes of the Bank of Kentucky at that period make scarcely any mention of the matter; and certainly evince no apprehension upon the part of the directors.

Some years later we find an exceedingly interesting discussion of the general financial situation embodied in a report from the Bank of Kentucky submitted at the request of the two Houses of the Legislature. It may be appropriately given in this connection.

A communication from the legislature, dated January 21, 1861, was addressed to the president of the bank, stating that the committees by which it was signed had been instructed "to communicate with the banking institutions of the State in order to ascertain whether or

not any legislative action is necessary to enable the said banks to furnish to the community a larger circulating medium," and requested the opinion of the officials of the Bank of Kentucky on that subject. In the absence of the President, H. A. Griswold and James Trabue, Directors, were selected to respond to this communication.

These gentlemen stated that the aggregate circulation of the Kentucky banks on the 1st of January, 1861, had been more than \$10,000,000; of which probably more than \$8,000,000 was in circulation at the date of their reply. In order to determine whether this amount was sufficient for the business requirements of the community in which it was distributed, they proceeded to compare it, first, with the entire bank circulation of the United States, and, secondly, with that of the neighboring States.

On the 1st of January, 1860, the entire bank circulation of the United States was \$207,102,000; but this amount, it was supposed, had been reduced by the political and financial agitation to probably not more than \$180,000,000 on January 1, 1861.

They said:

"We may assume Kentucky to be entitled to one thirtieth part of that amount, so that, judging by this comparison, she has already a larger currency than her share."

Illinois, exceeding Kentucky in population some fifty per cent, according to the then latest returns, had about \$12,000,000 of circulation.

"But this volume is so far in excess of her wants that it has been, and now is, depreciated from five to ten per cent, and is only kept afloat by being, for all practicable purposes, irredeemable."

Although both Indiana and Ohio exceeded Kentucky in population and wealth, our bank circulation was far in excess of that of either State. Tennessee, nearly on a par with Kentucky in population and wealth, had, November 1, 1860, a bank circulation of only \$3,000,000.

"From these comparisons we draw the inference that Kentucky now has as large a circulating medium as can be kept afloat, and that any attempt to increase its volume must result in its rapid return to the banks for redemption in gold.

"The foregoing inference is fully confirmed by the actual bank movement of the present season. During the fall months this bank discounted paper and bought bills with much liberality. We presume all the other banks of the State did the same. Our circulation, in consequence, for a time ran up with rapidity. But the notes would not stay out; they soon began to pour back faster than they had been issued, and in spite of our utmost efforts the circulation of this State is now at a lower point than at any time since the panic of 1857. The present contraction inflicting such severe pressure on the public is therefore in no degree due to an unwillingness on our part to increase our issues, but has followed persistent efforts to increase them."



The measures suggested for relief were, said Messrs. Griswold and Trabue, confined substantially to the suspension of specie payments and an increase of banking capital. The directors of the Bank of Kentucky believed that neither would prove efficacious.

"Of suspension, an immediate and disastrous result would be the destruction of the high credit that our money now enjoys in the neighboring States, and its instant return for redemption in some shape. This redemption, which could not be refused without ruinous depreciation, would hamper the banks, exhaust their immediate resources, and paralyze further efforts to relieve home necessities. . . .

"Secondly, will an increase of banking capital enlarge the circulating medium of the State? Political economy teaches that the volume of a currency which a country can sustain is not an accidental or unlimited quantity, but is controlled by economic laws and depends on the public wealth, credit, industry, commercial activity, and other productive forces. Of course, whenever the circulating medium consists in part of credit in the shape of paper money, an adequate capital as well as skillful and honest bank management are requisite bases on which the public confidence may repose. But these bases being granted, the amount of money that can be kept in circulation will depend on the circumstances above enumerated.

"A comparative statement of the banking capital and circulation of this State for some of the last years will illustrate our position:

	1857	1859	1860	1861
"Capital, . .	\$10,433,400	\$12,141,725	\$12,660,670	\$13,429,725
Circulation,	13,485,585	14,345,696	13,520,207	10,267,202

"Comparing 1861 with 1857:

"Capital has increased,	\$2,996,325
Circulation has decreased,	3,218,383

"Compared with 1859:

"Capital has increased,	\$1,288,000
Circulation has decreased,	4,078,494

"Compared with 1860:

"Capital has increased,	\$769,055
Circulation has decreased,	3,253,005

"Proving that in this State the increase of banking capital has not enlarged the circulating medium. The statistics of other communities exhibit the same results.

"We think there is no further legislation needed in regard to the increase of the circulating medium."

In 1862 the effects of the civil war upon the business and earnings of the bank began to be felt, and found its first practical expression in the semi-annual dividend declared in January of that year, which was only two per cent.

The first act passed by the General Assembly of Kentucky which, so to speak, authorized the recognition of hostilities by the banks of the State, was that of October 1, 1861, which provided:

"That the president and directors of any principal bank in the State may suspend temporarily any branch when, from the proximity of the invaders of the State, they may consider it unsafe to keep in such branch the money and valuables appertaining to said branch; or may, in the event of such danger, remove the whole or greater part of the moneys of

such branch, and place them in some other place for safety; and in the event of such removal said bank shall incur none of the forfeitures or liabilities prescribed in their charters for suspension of specie payment by failing to redeem its notes or deposits payable at such branch, provided said notes or deposits are paid or redeemed in ten days after demand at the principal bank. It shall also be lawful when any principal bank shall be endangered by the public enemy for the president and directors to remove it to some other point of safety within the State; but the bank and branches shall be restored to their present location so soon as the danger shall be entirely removed."

December 13, 1861, the General Assembly enacted that it should be lawful for the Bank of Kentucky, whenever in the opinion of the directors of the principal bank the funds and assets of any of the branches should be in danger, to remove the same and discontinue the organization of said branch during the war, "and in lieu thereof establish an agency under such rules and regulations as the principal bank may prescribe."

March the 8th, 1862, the banks of issue in the Commonwealth having consented to loan to the citizens of the State the sum of one million of dollars, in sums not exceeding one thousand dollars, the loans and calls to be governed by the provisions of the 15th and 21st sections of the act of March 8, 1843, the legislature passed an act providing that the banks should loan, within three months, the sum of one million dollars upon new accom-

modation, in sums as above specified, and on similar terms to those which, it will be remembered, were embodied in the act just cited. It was provided:

"That the banks of issue which shall accept the first and second sections of this act shall be and the same are hereby released from the penalties and forfeitures denounced by law and by their charters respectively for failing to pay their liabilities in gold and silver on demand; and it shall be lawful for said banks to pay out at their counters, receive, deal in, and lend at par value the notes of the United States Government which the act of Congress has made a legal tender, so long, and no longer, as said notes shall be and remain a legal tender under the laws of the United States."

The legislative authority to suspend or withdraw the funds from a branch was granted none too soon, for in October, 1861, Columbus having been occupied by the Confederate forces, it became necessary to instruct the cashier to immediately transfer the coin and notes then in that branch to Paducah, and deposit them in the branch of the Bank of Louisville located at that point. The depositors of said Columbus branch were notified to withdraw their deposits, the bank refusing to remain any longer liable therefor in case of their failure to do so.

The banks of Kentucky having agreed to loan the Military Board of the State the sum of \$2,000,000 in amounts proportionate to their respective capitals, on the 11th of October, 1861, the directors of the bank

20 **BANK OF KENTUCKY** **20**

LOUISVILLE

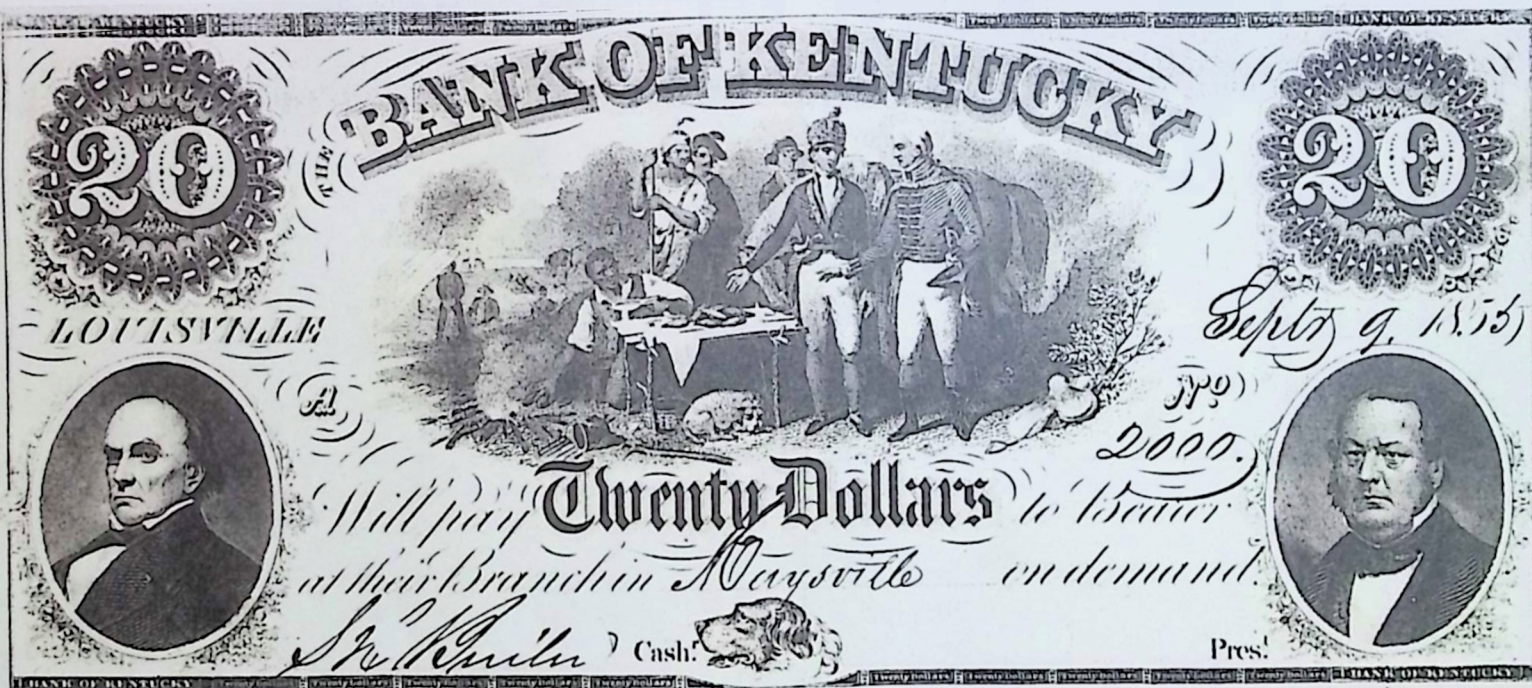
Sept 9. 1855

No 2000.

Will pay **Twenty Dollars** to Bearer
at their Branch in *Mayville* on demand.

S. K. Miller Cash.

Pres.



This is a 20-dollar banknote from the Bank of Kentucky, dated September 9, 1855. The note features a central vignette depicting a group of people in 18th-century attire gathered around a table. The denomination '20' is prominently displayed in ornate circular frames at the top corners. The text 'LOUISVILLE' is on the left, and 'Sept 9. 1855' is on the right. The serial number 'No 2000.' is written in the upper right. The promise to pay 'Twenty Dollars' is in the center, with 'at their Branch in Mayville on demand.' written in cursive. The signature of the Cashier, 'S. K. Miller', and the President's initials 'Pres.' are at the bottom.

50 **BANK OF KENTUCKY** **50**

Sept 9. 1855

No 1902.

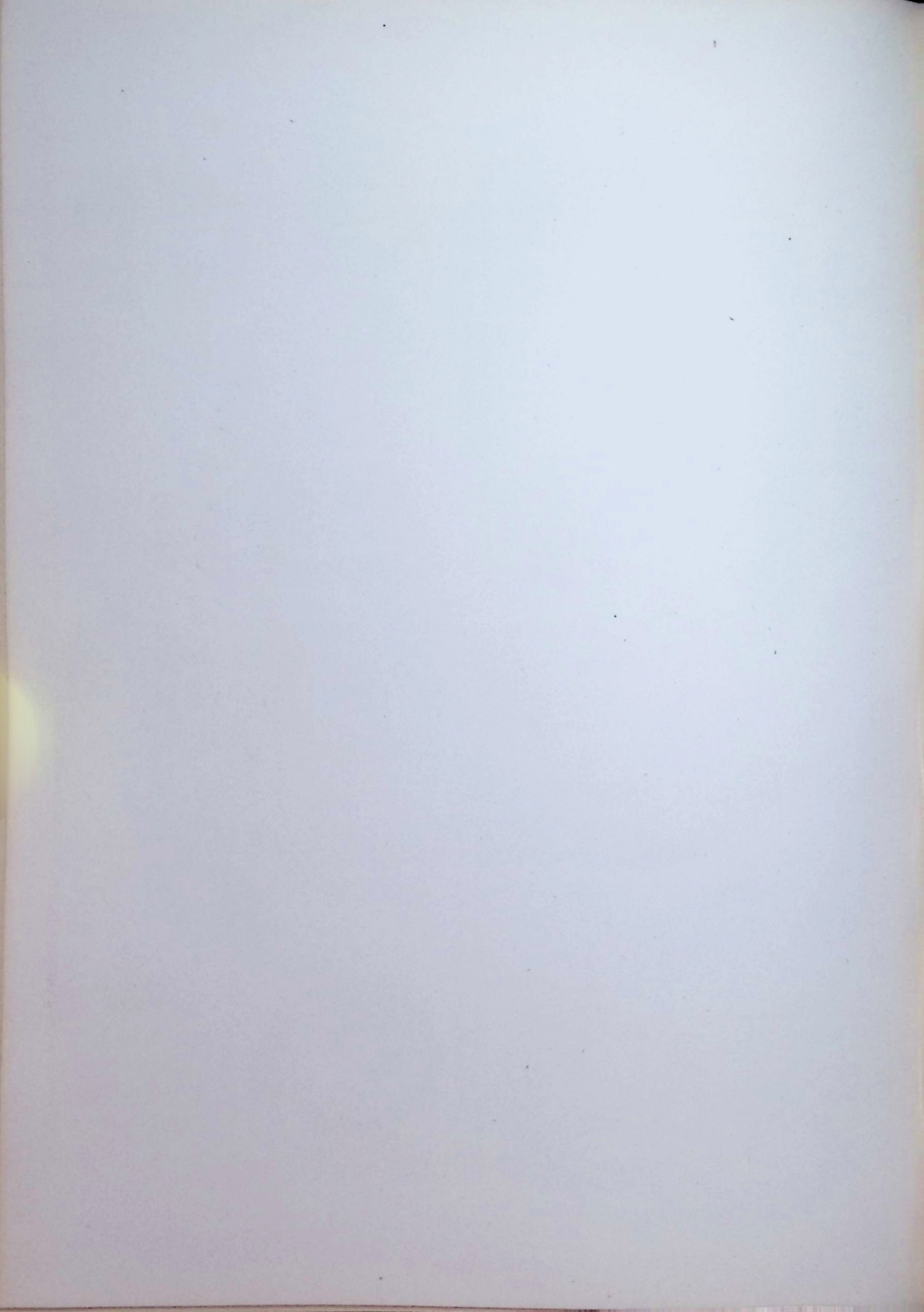
Will pay **FIFTY DOLLARS** to Bearer
at their Branch in *Mayville* on demand.

W. H. Miller Cash.

Pres.



This is a 50-dollar banknote from the Bank of Kentucky, dated September 9, 1855. The note features a central vignette depicting a group of people in 18th-century attire gathered around a table. The denomination '50' is prominently displayed in ornate circular frames at the top corners. The text 'LOUISVILLE' is on the left, and 'Sept 9. 1855' is on the right. The serial number 'No 1902.' is written in the upper right. The promise to pay 'FIFTY DOLLARS' is in the center, with 'at their Branch in Mayville on demand.' written in cursive. The signature of the Cashier, 'W. H. Miller', and the President's initials 'Pres.' are at the bottom.



placed three hundred thousand dollars to the credit of J. H. Garrard, the treasurer of the State, for the use of said Board.

The Bowling Green branch was suspended in November of that year, and on January 6, 1862, it was resolved by the directors that:

"There having been no returns from the Bowling Green branch since October 22, 1861, none from the Hopkinsville branch since October 31, 1861, none from the Columbus branch since November 30, 1861, owing to the disturbed condition of the country and of the State caused by the civil war, together with the small profits shown by the other five branches, it is deemed proper to declare an annual dividend of not exceeding two per cent."

In the following July a semi-annual dividend of two and a half per cent was declared. On the 10th of that month the President informed the Board of Directors that, in view of the imminent danger of the invasion of the State, he had caused the coin, a part of the United States treasury notes, and all the notes of the branches to be removed to Indianapolis.

The Bank of Kentucky, like other State banks, ceased to perform its function as a bank of issue, to the extent at least of putting out new notes, after the passage of the act of Congress providing for the taxation of such issues; and in lieu thereof it employed currency of the United States. Its minutes show, therefore, that about this period

a very large amount of its notes were withdrawn from circulation and destroyed.

In June, 1864, the Lexington branch was robbed, and its cashier was instructed to receive no more deposits, special or general. Matters getting no better in that region it was resolved, March 17, 1865, to discontinue this branch. Wherefore all the real and personal property of the Bank of Kentucky at Lexington, together with the "good will of the banking business," was sold to the First National Bank of that city for the sum of \$30,000, said latter bank becoming the agent of the Bank of Kentucky for the settlement of its unfinished business, becoming also the transferee of its deposits.

By the act of February 22, 1865, the incorporated banks of this Commonwealth had been authorized to reduce the number or change the location of their branches in their discretion; and in June of that year the Hopkinsville branch was also discontinued.

In January, 1866, a resolution was adopted to the effect that all of the branches, except the Frankfort branch, should be discontinued at as early a date as possible. This policy was carried into execution within the course of three or four years; and the Frankfort branch is the only one now remaining.

In 1866 and 1867 the bank adopted the policy of loaning the gold, which it had previously kept in reserve, in

amounts deemed safe by the Board. About the same date certain stock certificates destroyed during the war were renewed.

October 23, 1867, the President and Directors, on the part of the bank, subscribed for \$20,000 of the bonds of the city of Louisville, issued in aid of the Elizabethtown & Paducah Railroad Company, at eighty-five cents and interest.

In November, 1868, the officers of the Frankfort branch were instructed "not to allow the cash on hand in that branch to be reduced by discounts below twenty-five thousand dollars." In July, 1872, the capital of the Frankfort branch was reduced to \$200,000.

At this period, 1869 and 1870, the Bank of Kentucky was seeking to dispose of the real estate—so much of which it had been forced to take for debts which could not otherwise be made—as rapidly as circumstances would permit. June 24, 1870, Cashier Barret was directed to advertise and sell at public auction all the real estate in Louisville owned by the bank in excess of what was needed for the actual conduct of its business. It was also resolved that all the gold of the bank, so soon as the existing loans matured, should be sold, and that its stock in the Louisville & Frankfort Railroad Company should be immediately disposed of. The final order for the sale of the real estate was entered in August of that year, and

in the following April the real estate owned by the bank in New Orleans was sold for \$9,000. Yet in August, 1871, the bank was forced to take nineteen hundred and forty acres in Texas for a debt of \$5,746.

In February, 1872, the legislature passed an act authorizing the President and Directors of the Bank of Kentucky to purchase from the Commissioners of the Sinking Fund the stock of the bank held by the State. The provisions of this act were accepted by the stockholders at a meeting held for such purpose, March 4, 1872, and a contract for the purchase of said stock approved. The number of shares purchased was seven thousand seven hundred and eighty-nine, at an estimated valuation of \$872,348.

On May 2, 1872, Mr. McKnight resigned the presidency of the bank on account of failing health. His action, the necessity of which was recognized, was yet received with sincere regret by his associates, and the minutes of the bank show resolutions expressing the warmest appreciation of his high character and valuable services.

Mr. McKnight was succeeded in office by Mr. Henry A. Griswold, who was immediately elected.

Mr. Griswold was the son of the Right Reverend Alexander Veits Griswold, and was born in Bristol, Rhode Island, July 5, 1811. He came to Kentucky in 1829, as a tutor in the Transylvania University at Lexington, for



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H. A. Griswold

PRESIDENT 1872.

which position a careful and liberal education had eminently fitted him. In 1834 he removed to Louisville, where he also taught a school for some years, but in 1837 he became a partner of John P. Morton in the business of bookselling, and continued a member of the firm until 1857. He was elected a director of the Bank of Kentucky in 1858. After the death of Mr. Bullen, May 23, 1862, he consented to act as cashier *pro tem.*, performing the duties of the office until the appointment of Mr. Barret to fill it. He died literally in the harness, for he was stricken with paralysis of the heart, while engaged in his duties as president, on the afternoon of December 30, 1872.

Mr. Griswold was endowed with unusual intellectual powers, and possessed more than ordinary attainments in many directions.

In an obituary notice, written by a gentleman who knew him well, it is stated:

"Mr. Bancroft used to say that Mr. Griswold was engaged in selling books when he should be making them. A distinguished judge said that he was the best mercantile lawyer in the city. In the celebrated 'legal tender' case before the Supreme Court of the United States he wrote his own briefs, receiving compliments thereon from the highest authorities."

The by-laws, under which the business of the bank had so long been conducted, were thoroughly revised and

in many respects amended by resolution of date July 30, 1872. Recorded in full in the minutes they exhibit forty-one sections.

December 24, 1872, it was resolved that:

"WHEREAS, It is proper that the sums to the credit of profit and loss and the fund to cover losses shall be held as a guarantee fund to secure the bank from commercial hazards and contingencies, and for that purpose should be kept in a shape available for ready use; therefore,

"*Resolved*, That from and after this date the aggregate amounts of the accounts in question be invested in United States securities and so held until the further order of the bank.

"*Resolved*, That the 5-20 bonds belonging to the bank be set apart for the purpose above mentioned, etc."

The minutes of the following Tuesday, December 31st, announce "The sad and sudden death of Mr. H. A. Griswold, from paralysis of the heart, at the bank on yesterday afternoon." And in the minutes of January 3, 1873, are recorded an earnest and eloquent tribute to his memory, spoken by Mr. Thomas L. Barret, who soon afterwards was elected to succeed him.

CHAPTER V.

1873-1895.

MR. THOMAS L. BARRET, the fifth president of the Bank of Kentucky, and incumbent of the office at the date this history is written, was elected May 6, 1873.

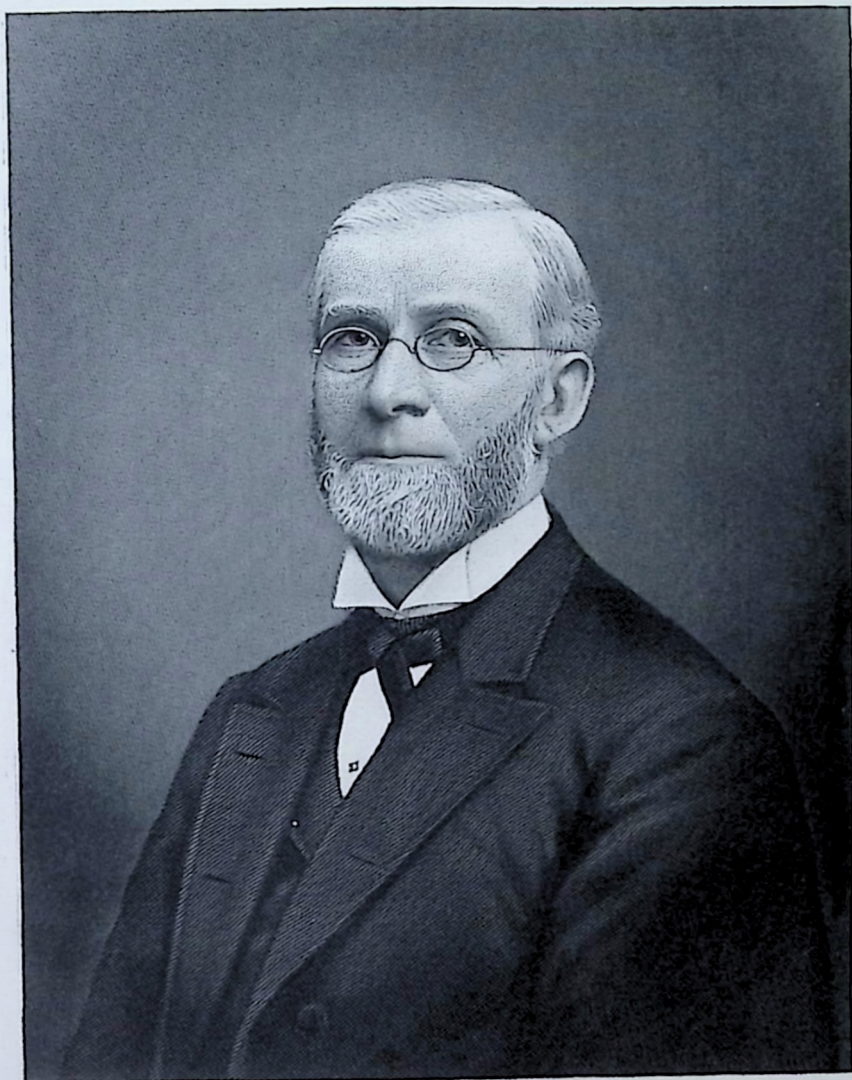
He was born in Munfordville, Hart County, Kentucky, February 24, 1825. His father, a physician well known and highly esteemed in that region of Kentucky, belonged to a family which has largely contributed to the commercial and financial prosperity of the State, and, like nearly all of the stocks that have aided in its development, came to this Commonwealth from Virginia.

Dr. Lewis Barret, whose fortune was limited, confined indeed almost entirely to the income derived from his profession, could give his children little more than education, and his son learned at an early age that success in life for him must mainly depend upon his own exertions. Obtaining, when scarcely out of his early boyhood, position as a deputy sheriff for his native county, he earned in that capacity the means to complete a partial course at Center College, at Danville, Kentucky. In 1846 he came to Louisville and obtained clerical employment in the wholesale dry goods house of Leight & Hite, receiving at first a

very modest salary. In the course of a few years he became a partner in the firm, which conducted a prosperous business. In 1863, when commercial business of every kind was disturbed and imperiled by the civil war, he sold to his partners his interest in the firm, and was elected, August 23, 1864, cashier of the Bank of Kentucky, having been for some years previously one of its stockholders and a director. Upon the death of Mr. Griswold the presidency of the bank was unanimously accorded him—a precedent followed in every succeeding election. It is but the simple truth to declare that the success of the institution under his management has amply justified the action and shown the good sense of those who have insisted on his remaining in control of its affairs.

With the suspension of the banking houses of Jay Cooke & Co., in New York, Philadelphia, and Washington City, early in September, 1873, began a very remarkable financial panic in America. The London house of Cooke, McCullough & Co., with which the American houses named were connected, remained solvent. In the "History of the Bank of New York" it is stated that:

"The panic of 1873 exceeded in severity any thing that had ever been known in New York. The failure of a prominent banking house on the 13th September in that year was followed by other failures of bankers, banks, and trust companies on the succeeding days, and by the closing of the Stock Exchange on the 20th. The condition of affairs was



Eng^d by H.B.Hall's Sons, New York.

Thomas L. Correy

PRESIDENT 1873. -

so serious that a meeting of bank officers was held on the 19th of September. . . . A special committee was appointed who were authorized to issue Clearing House certificates to the amount of \$10,000,000 on deposits with them of stocks. Seventy-five per cent was advanced on the market value of these securities, and the certificates were available until the 1st of November.

"The banks also agreed to act as agents for the purchase of the \$10,000,000 of bonds which the United States Sub-Treasurer had offered to buy. These measures afforded the desired relief to the money market, and the panic was of comparatively short duration."

Kentucky suffered to no great extent by this panic, although the most exaggerated rumors and apprehensions were current for a time. The Kentucky banks, as indeed all others in the country, almost entirely ceased discounting for some weeks, but a few only suspended, and those only for a brief period.

On the 29th of September President Barret convened the Board of Directors for the purpose of discussing the financial situation, and, he said, "to confer upon the action had last night (as published in the morning papers) by various banks of this city in determining upon a partial suspension of currency payments and on the establishment of a clearing house association, etc." He also submitted to the Board a statement of the condition of the bank, with an expression of his full confidence in its ability to pay all claims against it, and "its clear duty not

to suspend payment of any thing or in any respect." After a full discussion by the Board it was resolved, "That we sustain the views of the President, and that he be directed to continue to pay all proper demands upon the Bank of Kentucky."

In June, 1874, the assets of the Maysville branch were sold and conveyed to the Bank of Maysville.

August 31, 1875, the President read and submitted to the Board the constitution for the clearing house association proposed to be established in Louisville. It was adopted by the Board, and resolved that the Bank of Kentucky become a member of the association.

The Bank of Kentucky was the first to earnestly advocate the adoption of this system in Louisville and Kentucky, if not indeed among the first to recognize the importance of the Clearing House as an almost indispensable agent in the conduct of modern banking. Mr. Barret was chiefly instrumental in the establishment of the association, which was finally organized November 24, 1875, and began operations January 3, 1876. He was its first president, and it has been well said that his "unanimous election was not only an evidence of the high esteem in which his ability as a banker and his virtues as a man were held by the members of the association, but an unmistakable and emphatic testimonial of the respect accorded the Bank of Kentucky. The history of the

Clearing House in this city bears evidence of the wholesome counsel and wise direction of that institution."

July 7, 1876, the following resolution was adopted *in memoriam*:

"That it is with the deepest feeling of respect this Board places on record its appreciation of Mr. James Love's forty years' service as a clerk in this bank, during which extraordinarily long period of employment he performed every duty entrusted him with unfailing fidelity and integrity, entitling him to be truthfully described as 'God's noblest work, an honest man.'"

The minutes of the 27th of May, 1881, show action which was thoroughly in accord with a sentiment prevailing very generally in Louisville at that date; the President was authorized "to subscribe any amount, which in his judgment was deemed proper under the circumstances," to a fund to be used "in further arming and equipping the Louisville Legion and perfecting its efficiency."

In January, 1882, the Board discussed the necessity of a more "careful and systematic" method of keeping account of warehouse receipts deposited as collaterals, and "of all entries and records pertaining to the same," and empowered the President to make rules in regard to "the custody and handling of such collaterals held by the bank" as he might think best adapted to the regulation of such business. He was authorized to require,

if necessary, an increase in the amount of bonds given by employes, and to make such increase of salaries as should be commensurate with the additional responsibility and labor imposed.

December 15, 1882, the bank subscribed one thousand dollars to the capital stock of the "Southern Exposition" to be held at Louisville, and subsequently made an additional subscription of the same amount.

An application was made in March, 1883, through the cashier of the Frankfort branch, for a loan of one hundred thousand dollars to the Commonwealth for eight months at six per cent, which was authorized.

In March of 1884 the banks of the State, and those of Louisville especially, were very greatly concerned by the action of the legislature in proposing an additional and onerous taxation of their real estate and other property; about the same time it became apparent that Congress would refuse to extend the bonded period for whisky, a matter in which these banks were all much interested, as they held large stocks of it as collaterals. They were immediately confronted with the question of the exportation of the product—as the manufacturers of whisky desired to remove it from the territory of the United States—and whether they should consent to such removal. It seems that the Bank of Kentucky, at least, was unable to formulate any positive rule in that respect,

but preferred to be governed in each case by the peculiar circumstance and the condition of the customer.

May 2d the President called the attention of the Board to the action of the legislature in authorizing the issue of five hundred thousand dollars of State bonds, with the proceeds of which it was proposed to discharge the indebtedness of the Commonwealth to the banks, and he was directed to purchase so many of such bonds as he might deem it to the interest of the bank to hold.

Mr. James Trabue, the Vice-President, died on the 2d of February, 1886. Mr. Trabue had for half a century ranked among the most respected citizens and leading business men of Louisville. For nearly forty-two years he had served continuously as a director in the Bank of Kentucky, and for thirteen years successively he had been elected its Vice-President. His death was deeply regretted by his colleagues and by the community. Mr. Henry W. Barret was elected director to fill the vacancy caused by the death of Mr. Trabue.

In this year the attention of the officers of the bank was directed to a matter which has since elicited even keener interest. The President requested the Board to take appropriate action in regard to the act amending the revenue laws of the State, passed at the session 1885-86, particularly to Article II of the said act, relating to the taxation of banks, inasmuch as it was necessary

that the bank should, with little further delay, decide whether it would accept the provisions of the said article, or, relying on its charter, claim that it could be legally taxed only in conformity therewith.

As might have been expected, the question was very carefully and thoroughly discussed; the minutes recite that "it seemed to be the sense of the Board that while, under all the circumstances, it might be best for the interests of the bank to accept and conform to the provisions of the new law without contest, it was deemed proper not to take positive formal action upon the same at this meeting," and the President was requested to advise with the attorneys of the bank and decide upon final action. Accordingly, in May, it was resolved to call a stockholders' meeting to determine what should be done, but with the understanding that an acceptance of the provisions of the new law should be advised. Such a meeting was convened June the 25th. The number of shares of stock represented at this meeting were 14,221, entitling the holders thereof to 8,805 votes—362 stockholders of the bank, out of the total number of 482, voting. These votes were cast unanimously in favor of accepting the provisions of the act recently passed by the legislature. Consequently, on December 27, 1887, a resolution was adopted by the Board, as follows:

"Resolved, That the stockholders of the Bank of Kentucky, of Louisville, Kentucky, hereby give their consent to the

laying of the tax imposed by the provisions of Article II, of an act of the legislature of the State of Kentucky, entitled 'An Act to amend the Revenue Laws of the Commonwealth of Kentucky,' approved May 17, 1886, so far as the same apply to the banks of this State, and agree to pay the tax as provided by said act, and waive and release all right under the charter of said bank to a different mode or smaller rate of taxation."

The records of these years show that the bank adhered to the policy which had always characterized its management, of encouraging and sustaining to all proper extent every conservatively managed business enterprise which promised beneficial results to the community. Its accommodations were freely extended, not only in Kentucky but in States farther south, to the efforts for industrial development which were becoming so frequent.

In view of the probable decline in value of such securities the President suggested, July 3, 1888, the expediency of selling the United States four and a half per cent bonds held by the bank, and he was instructed to dispose of them when and in such manner as his judgment should approve.

A minute of date April 9, 1889, revives an interesting reminiscence, for it records the last event connected with the Schuylkill fraud. On that date a communication was received from Mr. John C. Bullitt, of Philadelphia, the attorney of the Bank of Kentucky for the settlement of

this old business, notifying the Board of a proposition of the Lehigh Coal and Navigation Company to purchase a tract of coal land, which was part of the assets conveyed to the Bank of Kentucky by the Schuylkill Bank in discharge of its indebtedness, for the sum of \$44,465.57. A deed of this property was made by the bank to the Lehigh Coal and Navigation Company, and thus the matter was finally closed.

About the same time large tracts of land in Mississippi and Missouri which the bank had taken for debt were also sold upon fair terms. In August of that year the Board adopted the system of taking bonds for the fidelity of its employes from the Guarantee Company of North America; the bank also agreed to charge to current expenses the premiums paid the Guarantee Company, so that no reduction should be made in the salaries of its sub-officials.

In December, 1890, the usual monetary stringency caused by a demand for currency to move the crops was considerably increased by the extraordinary volume of products in that year—especially of the cotton crop, which was the largest ever grown in America—and was aggravated by some popular apprehension due to changes in the tariff schedules. While nothing in the nature of a financial panic was the result, there was yet much uneasiness entertained by banks and business men gen-

erally, and precautions were deemed necessary to avert possible disaster. The banking institutions of Louisville united in a measure, to be effected through the agency of the Clearing House Association, which perfectly met the emergency, and also amply demonstrated the efficiency of the clearing house system to afford relief in such cases and contribute to the maintenance of public confidence. The following circular was issued:

"LOUISVILLE CLEARING HOUSE, }
Louisville, Ky., Dec. 17, 1890. }

"Clinton McClarty, Manager:

"At a special meeting of the Louisville Clearing House Association, held on the 6th day of December, 1890, the following resolution was offered and adopted, viz: *Resolved*, That the Special Committee of the association, to wit, Thos. L. Barret, J. H. Lindenberger, P. Viglini, E. C. Bohne, and H. M. Burford, appointed at the meeting of the 4th of December, 1890, be denominated the 'Committee on Loan and Relief,' and that said committee shall have plenary power over the subject of relief; and may, without the intervention of this association, proceed to act upon each application, putting into practical operation all such plans and making such requirements as they may deem best to afford the relief asked for, and to best protect the interests of the entire association. They may, if they see proper, make or cause to be made an examination of the condition and affairs of banks applying for relief, and communicate to the association through the manager whenever in their judgment it is necessary to do so. The members of the association agree and bind themselves to make good any loss that may ultimately result from accommodation afforded,

in proportion as their respective capital, surplus, and deposit bears to the aggregate loss. Said committee shall have power to fill vacancies or to elect additional members, and a majority shall constitute a quorum."

This resolution, which was unanimously adopted, every member voting to sustain it, had immediately the effect intended, and all apprehension in Louisville was quieted. It unquestionably contributed very largely to restore confidence in Kentucky and the neighboring Southern States. Out of abundant caution the Board of Directors of the Bank of Kentucky authorized the President to negotiate with the Bank of America such loan or loans as in the emergency might become necessary, pledging therefor stocks, bonds, or bills receivable of the Bank of Kentucky. The monetary stringency, however, soon passed.

The adoption in 1890 of the present Constitution of Kentucky, an instrument containing provisions quite different in appearance at least from those of the previous organic laws of the Commonwealth, especially in relation to assessment and taxation, and necessitating an almost entire revision of the statutory law, was regarded with some apprehension by the banks, and indeed by all of the corporate institutions of the State. The solution of all the questions involved, however, and about which this concern is felt, rests in the future and is largely dependent on the animus of legislatures yet to be assembled

and the interpretation given the constitutional provisions regarding which doubts are entertained by the courts. The views of those in charge of the bank were indicated in 1893, when the question of reporting to the Auditor of Public Accounts of the Commonwealth was under consideration by the Board of Directors. It was resolved:

“That the cashier of the Bank of Kentucky be instructed to make report to the auditor, accompanied by the following protest: ‘In making this report said bank does not waive but expressly reserves all the rights, contracts, franchises, and remedies as the same existed under the constitution and laws prior to the adoption of the present Constitution of Kentucky, and prior to the adoption of an act of the General Assembly of the Commonwealth of Kentucky, entitled “An Act relating to Revenue and Taxation,” which became a law November 11, 1892, and prior to the adoption of the revenue law approved May 17, 1886, known as the “Hewitt Law,” and the information therein contained is furnished under protest and with full reservation of all of its said rights, contracts, franchises, and remedies, to resist, contest, and defend against the power and authority of the said State, and of any county, incorporated city, town, or taxing district to assess against, to levy upon, or to collect from it any tax under the provisions of said constitution or said revenue bill to any extent, in any mode, or at any rate, or in any form other than that provided in the contract made by it with the State of Kentucky prior to the adoption of said constitution and the passage of said revenue laws.’”

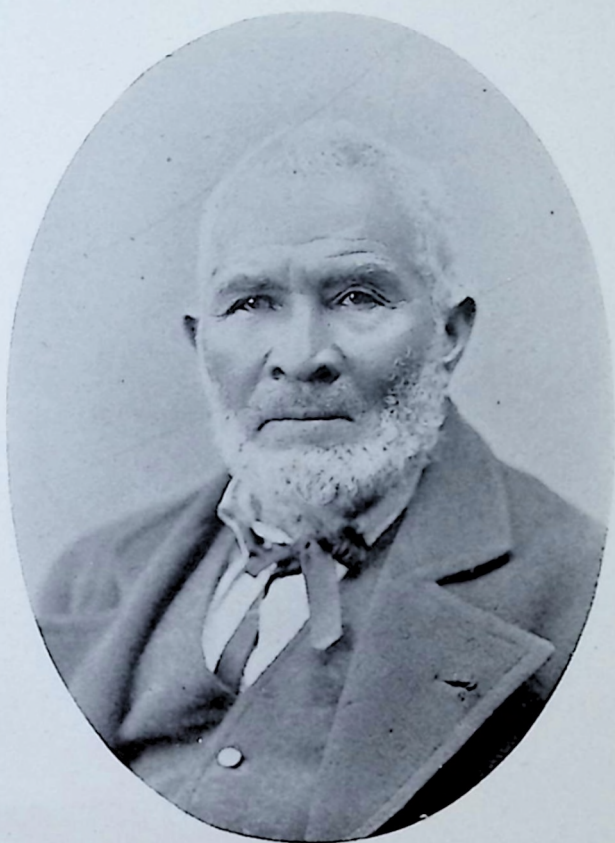
The act of the legislature, approved April 17, 1890, authorizing an increase of the number of directors for the

principal bank from nine to eleven, and for the Frankfort branch from seven to nine, was not accepted until April 28, 1891, at which date a resolution was adopted by the Board accepting it for the bank, and providing the number of directors should be so increased at the succeeding elections of officers for the Bank and for the Frankfort branch.

January 1, 1892:

"The President made known to the Board that Carey Logan, the colored porter of the Bank of Kentucky, now eighty years of age, after having most faithfully and honestly served the bank for fifty years, had by reason of advanced age and bodily infirmities become unable to longer serve, whereupon it was unanimously resolved that, as a fitting testimonial to his character and reward for his services, the President be requested to continue Carey upon the pay-roll of the bank, and be authorized in addition, if in his judgment it be necessary for his comfortable support, to contribute as much as fifty dollars per month, and at his death to pay his funeral expenses, etc."

Carey entered the service of the Bank of Kentucky in February, 1841, being then a slave, and outlived every officer and director connected with it at that date. He was devoted in his allegiance to the institution, and his pride in it knew no bounds. His reverence and love for the presidents under whom he served were absolute and unlimited. The only occasion upon which he was ever known to murmur was when the offices of the bank were



CAREY LOGAN (COLORED).

MESSENGER 1841-1892.

being altered and improved. The old man then shook his head and muttered disapproval of modern innovation.

The resolutions spread upon the minutes at his death, which occurred December 21, 1893, contain the following tribute among others:

"It is a remarkable fact and worthy of official record that, although he could neither read nor write, yet for years prior to the organization of the Clearing House, he, as the bank's messenger, collected from other banks and merchants of the city money, checks, and drafts in amounts aggregating millions of dollars without the loss of a cent to the bank or a mistake of any kind which was ever discovered."

In the summer of 1893 the country was smitten with another financial depression, induced probably by the usual reaction after a period of excessive speculation, but for which many variant causes have been assigned. It became necessary, however, to again take prompt and energetic measures to avert a panic. August the 1st Mr. Barret announced to the Board that an arrangement had been made and was virtually in operation between the several banks, members of the Clearing House Association of Louisville, with the view of rendering assistance to such of said banks as might be in need during the existence of the monetary pressure. He read a communication reciting that Thomas L. Barret, P. Viglini, H. M. Burford, George W. Swearingen, and William R. Ray had been appointed a committee, July 26th, to consider and

formulate a plan of action to be taken by the members of the association, if relief was demanded, and to report on the 28th of July. This committee had recommended the adoption of the policy inaugurated so successfully by the association in December, 1890, viz., that a "Committee on Loan and Relief" should be created with plenary power to render aid to members of the association which might be compelled to apply for it, without the intervention of the association, and on such terms and imposing such requirements and conditions as the said committee might deem proper and discreet—passing judgment for the protection of the association on the collaterals offered to secure the loans requested, and disposing of such collaterals whenever necessary to the best interest of all concerned.

"Absolute and unlimited power" was given this committee "as to amount of loan to each applicant and the manner thereof, said committee being vested with full authority to make, or cause to be made, investigation of the books and affairs of each bank applying for aid." The members of the association bound themselves to make good any loss that might ultimately result from the accommodations thus extended upon a fair proportionate basis. The committee also recommended "that the method of settlement by certified checks of the manager, employed on the former occasion referred to, be used

at this time." All of which was approved by the officers of the Bank of Kentucky.

On the 8th of September Clearing House resolutions were submitted to the Board and adopted, which provided that interest paid thereafter on bank and trust company balances should not exceed two and a half per cent; and that interest on certificates of deposit should not exceed four per cent, and that interest should not be allowed unless the same should have run three months or longer, all interest contracts to be stated in the certificates.

At the date of the latest anniversary of its organization, January 25, 1894, the Bank of Kentucky had completed the fifty-ninth year of its existence—eventful years marked by unusual although not uninterrupted prosperity, and filled with useful and honorable service. There is just reason to anticipate for it a future history of successful operation, prolonged through even a greater period, so long, indeed, as those charged with its management adhere to the traditions and are guided by the experience of its past, making prudence in prosperity, resolution in adversity, and integrity in all emergencies, the rules of their conduct.

APPENDIX.

DIRECTORS OF THE BANK OF KENTUCKY FROM ITS ORGANIZATION TO 1895.

George Buchanan,	1835, 1836.
George Keats,	1835 to 1841.
R. J. Ward,	1835, 1836.
W. H. Pope,	1835, 1837 to 1840.
John I. Jacob,	{ 1835 to 1839, 1841 to 1844, 1849 to 1851.
Wm. Garvin,	1835, 1836, 1838, 1839.
L. L. Shreve,	1835, 1837, 1838.
James Stewart,	1835, 1837.
Wm. Riddle,	1835 to 1837.
Wm. Fellows,	1835, 1838 to 1842.
Wm. Bell,	1835, 1836.
Angereau Gray,	1836 to 1841, 1855, 1856.
C. M. Strader,	1836, 1837.
M. Cody,	1836, 1837.
J. M. Clendenin,	1836, 1837.
James Guthrie,	1836 to 1844, 1852.
James Hewitt,	1837, 1841.
Robert Merwin,	1837, 1838.
Wm. Anderson,	1837, 1838.
Paul Reinhard,	1837, 1839.
A. Throckmorton,	1838, 1841, 1842.
D. S. Benedict,	1838 to 1844, 1846 to 1858.
D. Heron,	1838 to 1841.
L. D. Addison,	1839, 1840.
W. B. Phillips,	1839 to 1841.
Virgil McKnight,	1840 to 1872.

John Bustard,	1840, 1841.
Jacob Beckwith,	1840, 1841.
Thos. Smith (of New Castle),	1841 to 1849.
Wm. Miller,	1841 to 1843, 1846.
D. L. Beatty,	1841 to 1845, 1847 to 1850.
L. L. Shreve,	1842, 1844 to 1846.
J. S. Swagar,	1842, 1843.
John W. Hunt,	1842, 1843.
John C. Wenzel,	1842, 1843.
James Trabue,	1844 to 1886.
U. E. Ewing,	{ 1845 to 1851, 1853, 1854, 1856 to 1859, 1861 to 1866.
Phil. R. Gray,	1845, 1846, 1848.
Thos. Anderson,	1845 to 1847.
Curran Pope,	1846 to 1848.
H. D. Newcomb,	1847, 1848.
Isaac Everett,	{ 1848, 1849, 1851 to 1855, 1857 to 1871.
A. Buchanan,	{ 1849, 1850, 1852, 1853, 1857, 1858.
S. P. Weissinger,	1850 to 1853.
A. A. Gordon,	1850 to 1853.
James Marshall,	1851 to 1857.
Levi Tyler,	1853 to 1855.
James Rudd,	1854 to 1857.
Moses Dickson,	1854, 1855.
Thos. Quigley,	1855, 1856.
Richard Knott,	1856 to 1869.
H. A. Griswold,	1858 to 1872.
Marshall Key,	1858 to 1860.
E. Bustard,	1859 to 1870.
Thos. L. Barret,	1859 to —.
Isaac L. Hyatt,	1860 to 1863, 1868 to 1871.
Wm. Kendrick,	1865, 1866.
John W. Barr,	1864 to 1884.
Thos. J. Martin,	1868 to 1882.

Bland Ballard,	1870, 1871.
W. H. Dulaney,	1871 to 1880, 1882 to —.
John A. Carter,	1872 to 1894.
Jos. T. Tompkins,	1872 to 1877.
Geo. C. Buchanan,	1873 to 1877.
Geo. W. Morris,	1873 to —.
Isaac Wolf,	1877 to 1883.
W. C. Hite,	1878 to 1882.
John M. Atherton,	1881 to —.
John K. Goodloe,	1883 to 1892.
H. M. Griswold,	1884 to —.
A. H. Barret,	1885 to —.
Henry W. Barret,	1887 to —.
A. P. Humphrey,	1891 to —.
John Stites,	1891 to —.
W. W. Hite,	1892 to —.

LIST OF DIVIDENDS DECLARED BY THE BANK OF
KENTUCKY FROM ITS ORGANIZATION.

NUMBER.	AMOUNT.	NUMBER.	AMOUNT.	NUMBER.	AMOUNT.
1, . . .	\$87,500	40, . . .	\$185,000	79, . . .	\$66,100
2, . . .	124,196	41, . . .	370,000	80, . . .	66,100
3, . . .	148,805	42, . . .	370,000	81, . . .	65,956
4, . . .	144,165	43, . . .	185,000	82, . . .	65,804
5, . . .	185,347	44, . . .	185,000	83, . . .	65,804
6, . . .	163,591	45, . . .	185,000	84, . . .	65,804
7, . . .	211,500	46, . . .	148,000	85, . . .	65,804
8, . . .	188,000	47, . . .	148,000	86, . . .	65,804
9, . . .	90,000	48, . . .	73,548	87, . . .	65,804
10, . . .	90,000	49, . . .	91,830	88, . . .	65,804
11, . . .	71,773	50, . . .	91,660	89, . . .	65,804
12, . . .	94,872	51, . . .	108,957	90, . . .	65,804
13, . . .	89,642	52, . . .	104,916	91, . . .	65,804
14, . . .	87,386	53, . . .	102,699	92, . . .	65,804
15, . . .	105,745	54, . . .	97,851	93, . . .	65,804
16, . . .	104,256	55, . . .	94,503	94, . . .	65,804
17, . . .	102,085	56, . . .	92,574	95, . . .	65,804
18, . . .	100,957	57, . . .	90,540	96, . . .	65,804
19, . . .	95,500	58, . . .	83,805	97, . . .	65,804
20, . . .	93,802	59, . . .	108,496	98, . . .	65,804
21, . . .	93,512	60, . . .	107,288	99, . . .	65,804
22, . . .	93,412	61, . . .	79,830	100, . . .	65,804
23, . . .	148,000	62, . . .	105,276	101, . . .	65,804
24, . . .	259,000	63, . . .	73,470	102, . . .	65,804
25, . . .	185,000	64, . . .	97,656	103, . . .	65,804
26, . . .	240,500	65, . . .	72,942	104, . . .	65,804
27, . . .	166,500	66, . . .	97,256	105, . . .	65,804
28, . . .	166,500	67, . . .	97,256	106, . . .	65,804
29, . . .	296,000	68, . . .	97,256	107, . . .	65,804
30, . . .	185,000	69, . . .	66,100	108, . . .	65,804
31, . . .	185,000	70, . . .	82,625	109, . . .	65,804
32, . . .	185,000	71, . . .	82,625	110, . . .	65,804
33, . . .	240,500	72, . . .	82,625	111, . . .	65,804
34, . . .	185,000	73, . . .	82,625	112, . . .	65,804
35, . . .	185,000	74, . . .	82,625	113, . . .	65,804
36, . . .	222,000	75, . . .	82,625	114, . . .	65,804
37, . . .	185,000	76, . . .	82,625		
38, . . .	222,000	77, . . .	82,625		
39, . . .	185,000	78, . . .	82,625		
					\$12,932,068

